



**GEORGE LOCAL MUNICIPALITY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

George Local Municipality
Financial Statements for the year ended 30 June 2014

GENERAL INFORMATION

Mayoral committee

Executive Mayor	C Standers
Deputy Executive Mayor	D Maritz
Speaker	M Draghoender

Councillors

Ward

1	MG Naik (Appointed 7 August 2013)
2	C Neethling
3	EP De Villiers
4	LD van Wyk
5	LBC Esau
6	HH Ingo
7	FZ Ntozini
8	C Standers
9	T Teyisi
10	MD Gingcana
11	NF Kamfe
12	GN Sixolo
13	B Salmani
14	C Remas (Appointed 3 July 2013)
15	FS Guga
16	HJ Jones
17	D Maritz
18	GC Niehaus
19	IC Kritzinger
20	M Draghoender
21	JS Thanda
22	PH de Swardt
23	GJ Stander
24	AM Wildeman
25	MEF Kleynhans

George Local Municipality

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GENERAL INFORMATION

Proportionally elected councillors

SJ Bezuidenhout (Resigned 31 August 2013)
C Bob
BM Cornelius
NNE Dlephu
J du Toit
T Fortuin
V Gericke
WT Harris
LS Hayward
NV Kom
PB Komani
PS Leholo
R Lombaard (Appointed 2 July 2013)
G Macclune
SM Mekana
MM Nyakathi
B Petrus
LN Qupe
GMY Sihoyiya
I Stemela
PJ van der Hoven
AJ van Zyl
M Viljoen
CT Williams
W Witbooi

George Local Municipality

Financial Statements for the year ended 30 June 2014

GENERAL INFORMATION

Auditor	Auditor General
Bankers	ABSA Bank Limited
Registered office	Civic Centre York Street 77 GEORGE 6530
Postal address	PO Box 19 GEORGE 6530
Contact numbers	Tel: 044 801 9111 Fax: 044 873 3776
Website	www.george.org.za
E-mail	post@george.org.za
Accounting Officer	T Botha
Chief Finance Officer (CFO)	K Jordaan

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

ACCOUNTING OFFICER'S APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

I am responsible for the preparation of these Financial Statements, which are set out on pages 6 to 115 in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act. Refer to note 28 for the disclosure of Councillor remuneration. We have requested a legal ruling from National Treasury on the executive mayor's incorrect cellphone allowance paid. Refer to note 41 for the correction.



T BOTHA
ACCOUNTING OFFICER

George

29 August 2014

George Local Municipality
Financial Statements for the year ended 30 June 2014

Statement of Financial Position as at 30 June 2014

Figures in Rand	Note(s)	2014	2013 Restated
Current Assets			
Inventories	2	174,686,709	183,694,651
Trade receivables from exchange transactions	3	70,145,049	71,778,551
Trade and other receivables from non-exchange transactions	4	112,067,433	92,746,328
Prepayments	5	143,105,100	-
VAT receivable	6	5,673,453	2,957,711
Loans and receivables	7	328,036	304,449
Cash and cash equivalents	8	387,194,924	266,877,126
		893,200,704	618,358,816
Non-Current Assets			
Property, plant and equipment	9, 52	2,412,019,719	2,315,484,569
Intangible assets	10	799,566	1,289,004
Heritage assets	11	4,236,000	4,236,000
Investment property	12	152,579,362	152,740,935
Loans and receivables	7	989,333	1,163,637
		2,570,623,980	2,474,914,145
Total Assets		3,463,824,684	3,093,272,961
Current Liabilities			
Loans and borrowings	13	40,483,315	36,963,110
Finance lease obligation	14	1,793,004	-
Trade and other payables from exchange transactions	15	116,450,194	101,218,053
Consumer deposits	16	19,902,234	17,697,494
Employee benefit obligations	17	39,476,134	34,964,942
Provisions	18	103,053,543	3,341,806
Unspent conditional grants and receipts	19	62,923,610	70,412,147
		384,082,034	264,597,552
Non-Current Liabilities			
Loans and borrowings	13	409,587,140	450,070,455
Finance lease obligation	14	8,461,711	-
Employee benefit obligations	17	132,443,933	119,192,051
Provisions	18	31,272,401	11,861,745
		581,765,185	581,124,251
Total Liabilities		965,847,219	845,721,803
Net Assets		2,497,977,465	2,247,551,158
Net Assets			
Housing development fund	20	69,484,478	77,330,118
Accumulated surplus		2,428,492,987	2,170,221,040
Total Net Assets		2,497,977,465	2,247,551,158

George Local Municipality

Financial Statements for the year ended 30 June 2014

Statement of Financial Performance

Figures in Rand	Note(s)	2014	2013 Restated
Revenue			
Revenue from exchange transactions		732,117,081	654,078,927
Service charges	21	641,585,329	599,559,430
Rental revenue		2,272,512	2,158,461
Income from agency services		6,961,369	6,290,635
Licences and permits		2,088,827	2,507,791
Sale of erven		11,194,942	2,190,146
Other income	22	41,696,616	23,096,750
Interest received	23	26,317,486	18,257,237
Gains on disposal of assets		-	18,477
Revenue from non-exchange transactions		775,826,105	399,868,462
Taxation revenue			
Property rates	24	154,010,771	143,438,448
Property rates - penalties imposed	24	3,759,202	3,845,224
Transfer revenue			
Government grants & subsidies	25	557,089,669	232,515,870
Fines	26	60,966,463	20,068,920
Total revenue		1,507,943,186	1,053,947,389
Expenditure			
Employee related cost	27	311,839,315	269,332,633
Remuneration of councillors	28	15,567,739	14,547,572
Depreciation and amortisation	29	110,052,752	106,204,495
Impairment losses	30	69,604,195	31,205,829
Finance costs	31	51,159,815	55,450,529
Collection costs		3,643,627	3,156,319
Repairs and maintenance	32	65,059,135	62,122,457
Bulk purchases	33	287,736,248	276,450,354
Contracted services	34	227,957,944	95,187,721
Grants and subsidies paid	35	2,368,267	1,520,077
Cost of erven sold		10,914,300	2,290,750
Loss on disposal of assets		99,085	-
General Expenses	36	100,474,918	82,095,019
Total expenditure		1,256,477,340	999,563,755
Operating surplus		251,465,846	54,383,634
Surplus for the year		251,465,846	54,383,634

George Local Municipality
Financial Statements for the year ended 30 June 2014

Statement of Changes in Net Assets

Figures in Rand	Housing Development Fund	Accumulated surplus	Total net assets
Opening balance as previously reported	-	2,117,224,540	2,117,224,540
Adjustments			
Prior year adjustments - refer to note 42.4	-	20,431	20,431
Prior year adjustments - refer to note 42.5	-	(60,000)	(60,000)
Prior year adjustments - refer to note 42.6	-	(231,251)	(231,251)
Prior year adjustments - refer to note 42.8	-	247,671	247,671
Prior year adjustments - refer to note 42.10	-	(1,933,162)	(1,933,162)
Prior year adjustments - refer to note 42.11	-	4,489,769	4,489,769
Prior year adjustments - refer to note 42.12	-	(765,351)	(765,351)
Prior year adjustments - refer to note 42.14	-	163,683	163,683
Balance at 01 July 2012 as restated	74,011,194	2,119,156,330	2,193,167,524
Changes in net assets			
Transfer to / (from) Housing Development Fund	3,318,924	(3,318,924)	-
Net income (losses) recognised directly in net assets	3,318,924	(3,318,924)	-
Surplus for the year	-	54,383,634	54,383,634
Total recognised income and expenses for the year	3,318,924	51,064,710	54,383,634
Total changes	3,318,924	51,064,710	54,383,634
Restated Balance at 01 July 2013	77,330,118	2,170,221,040	2,247,551,158
Changes in net assets			
Transfer to / (from) Housing Development Fund	(6,806,101)	6,806,101	-
Bridging finance for asset additions	(1,039,539)	-	(1,039,539)
Net income (losses) recognised directly in net assets	(7,845,640)	6,806,101	(1,039,539)
Surplus for the year	-	251,465,846	251,465,846
Total recognised income and expenses for the year	(7,845,640)	258,271,947	250,426,307
Total changes	(7,845,640)	258,271,947	250,426,307
Balance at 30 June 2014	69,484,478	2,428,492,987	2,497,977,465
Note(s)			

George Local Municipality
Financial Statements for the year ended 30 June 2014

Cash Flow Statement

Figures in Rand	Note(s)	2014	2013 Restated
Cash flows from operating activities			
Receipts			
Taxation		172,096,377	156,804,214
Sale of goods and services		625,954,651	568,421,128
Grants		526,511,159	259,708,420
Interest income		22,625,319	14,936,496
Other receipts		40,204,369	21,588,777
		<u>1,387,391,875</u>	<u>1,021,459,035</u>
Payments			
Employee costs		(309,643,979)	(269,501,653)
Suppliers		(549,539,100)	(502,717,650)
Finance costs		(51,111,183)	(55,450,529)
		<u>(910,294,262)</u>	<u>(827,669,832)</u>
Net cash flows from operating activities	37	<u>477,097,613</u>	<u>193,789,203</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(190,156,960)	(112,990,034)
Proceeds on disposal of property, plant and equipment	9	1,357	330,442
Purchase of intangible assets	10	-	(84,474)
Decrease in loans and receivables		324,815	774,404
Net cash flows from investing activities	42.13	<u>(189,830,788)</u>	<u>(111,969,662)</u>
Cash flows from financing activities			
Repayment of loans and borrowings		(36,963,110)	(33,843,432)
Proceeds from finance lease liabilities		10,206,083	-
Prepayments		(140,192,000)	-
Net cash flows from financing activities		<u>(166,949,027)</u>	<u>(33,843,432)</u>
Net increase/(decrease) in cash and cash equivalents		<u>120,317,798</u>	<u>47,976,109</u>
Cash and cash equivalents at the beginning of the year		266,877,126	218,901,017
Cash and cash equivalents at the end of the year	8	<u>387,194,924</u>	<u>266,877,126</u>

George Local Municipality
Financial Statements for the year ended 30 June 2014

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Financial Performance						
Revenue						
Revenue by source						
Property rates	164,309,030	(4,991,869)	159,317,161	157,769,973	(1,547,188)	Difference less than 10%
Service charges	626,327,630	6,410,360	632,737,990	641,586,529	8,848,539	Difference less than 10%
Investment revenue	18,176,580	3,800,000	21,976,580	22,385,592	409,012	51.1
Transfers recognised - operational	262,438,466	60,686,611	323,125,077	284,015,860	(39,109,217)	51.2
Other own revenue	47,564,808	(5,711,046)	41,853,762	94,935,075	53,081,313	51.3
Total Revenue (excluding capital transfers and contributions)	1,118,816,514	60,194,056	1,179,010,570	1,200,693,029	21,682,459	
Expenditure by type						
Employee costs	292,207,657	1,011,513	293,219,170	291,993,156	(1,226,014)	Difference less than 10%
Remuneration of councillors	16,952,094	-	16,952,094	15,567,736	(1,384,358)	Difference less than 10%
Debt impairment	22,000,000	-	22,000,000	69,604,195	47,604,195	51.4
Depreciation and asset impairment	100,225,148	13,028,624	113,253,772	110,052,752	(3,201,020)	51.5
Finance charges	51,535,868	(750,000)	50,785,868	50,384,455	(401,413)	Difference less than 10%
Materials and bulk purchases	302,087,440	(2,000,000)	300,087,440	287,963,630	(12,123,810)	Difference less than 10%
Transfers and grants	2,318,000	-	2,318,000	2,369,467	51,467	Difference less than 10%
Other expenditure	386,598,290	82,440,679	469,038,969	407,964,237	(61,074,732)	51.6
Total expenditure	1,173,924,497	93,730,816	1,267,655,313	1,235,899,628	(31,755,685)	
Surplus / (Deficit)	(55,107,983)	(33,536,760)	(88,644,743)	(35,206,599)	53,438,144	
Transfers recognised - capital	157,542,484	115,845,792	273,388,276	274,113,346	725,070	51.7
Contributions recognised - capital and contributed assets	6,620,270	2,200,000	8,820,270	33,138,446	24,318,176	51.8
Surplus after capital transfers and contributions	109,054,771	84,509,032	193,563,803	272,045,193	78,481,390	
Share of Surplus of associate	-	-	-	-	-	
Deficit for the year	109,054,771	84,509,032	193,563,803	272,045,193	78,481,390	

George Local Municipality

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Basis difference						
Employee benefit obligations on Long Service Awards, Ex- gratia Pension Benefits and Post-Retirement Medical Aid Benefits (refer to note 26)				(19,803,987)		
Interest on provision for rehabilitation of landfill site (refer to notes 18 and 31)				(775,360)		
Actual Amount in the Statement of Financial Performance				251,465,846		

George Local Municipality

Financial Statements for the year ended 30 June 2014

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Capital expenditure						
Capital expenditure by vote						
Executive and Council	2,600,000	-	2,600,000	746,438	(1,853,562)	51.9
Budget and treasury office	780,000	(80,000)	700,000	675,868	(24,132)	51.10
Corporate services	4,795,000	(1,828,000)	2,967,000	1,440,980	(1,526,020)	51.11
Community and social services	1,475,000	686,833	2,161,833	1,273,756	(888,077)	51.12
Sport and recreation	8,570,175	10,989,769	19,559,944	18,547,722	(1,012,222)	51.13
Public safety	5,865,000	216,321	6,081,321	4,013,410	(2,067,911)	51.14
Housing	7,743,000	(4,572,930)	3,170,070	2,501,269	(668,801)	51.15
Road transport	124,729,605	107,478,555	232,208,160	230,085,257	(2,122,903)	51.16
Environmental protection	600,000	-	600,000	617,834	17,834	Difference less than 10%
Electricity	18,563,158	4,751,842	23,315,000	19,969,694	(3,345,306)	51.17
Water	20,452,624	(9,277,630)	11,174,994	10,790,753	(384,241)	51.18
Waste water management	46,280,397	9,588,809	55,869,206	48,462,518	(7,406,688)	51.19
Waste management	8,570,000	(4,600,000)	3,970,000	3,913,790	(56,210)	51.20
Other	-	3,157,450	3,157,450	3,157,450	-	51.21
	251,023,959	116,511,019	367,534,978	346,196,739	(21,338,239)	

Sources of Capital Funds

National Government	96,445,733	119,897,787	216,343,520	213,465,470	(2,878,050)	
Provincial Government	30,405,697	27,108,277	57,513,974	55,248,698	(2,265,276)	
District Municipality	-	1,000,000	1,000,000	-	(1,000,000)	
Other transfers and grants	3,200,000	1,188,424	4,388,424	5,399,178	1,010,754	
Public contributions and donations	6,000,000	11,759,461	17,759,461	15,847,777	(1,911,684)	
Borrowings	64,580,000	(44,932,070)	19,647,930	10,594,988	(9,052,942)	
Internally generated funds	50,392,529	489,140	50,881,669	45,640,628	(5,241,041)	
	251,023,959	116,511,019	367,534,978	346,196,739	(21,338,239)	

Capitalisation consist of the following:

Property, plant and equipment additions				206,004,739		9
Prepayments				140,192,000		5
				346,196,739		

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2014											
Financial Performance											
Property rates	164,309,030	(4,991,869)	159,317,161	-		159,317,161	157,769,973		(1,547,188)	99 %	96 %
Service charges	626,327,630	6,410,360	632,737,990	-		632,737,990	641,586,529		8,848,539	101 %	102 %
Investment revenue	18,176,580	3,800,000	21,976,580	-		21,976,580	22,385,592		409,012	102 %	123 %
Transfers recognised - operational	262,438,466	60,686,611	323,125,077	-		323,125,077	284,015,860		(39,109,217)	88 %	108 %
Other own revenue	47,564,808	(5,711,046)	41,853,762	-		41,853,762	94,935,075		53,081,313	227 %	200 %
Total revenue (excluding capital transfers and contributions)	1,118,816,514	60,194,056	1,179,010,570	-		1,179,010,570	1,200,693,029		21,682,459	102 %	107 %
Employee costs	292,207,657	1,011,513	293,219,170	-	699,193	293,918,363	311,797,144	17,878,781	17,878,781	106 %	107 %
Remuneration of councillors	16,952,094	-	16,952,094	-	-	16,952,094	15,567,735	-	(1,384,359)	92 %	92 %
Debt impairment	22,000,000	-	22,000,000			22,000,000	69,604,195	47,604,195	47,604,195	316 %	316 %
Depreciation and asset impairment	100,225,148	13,028,624	113,253,772			113,253,772	110,052,752	-	(3,201,020)	97 %	110 %
Finance charges	51,535,868	(750,000)	50,785,868	-	(172,600)	50,613,268	51,159,815	546,547	546,547	101 %	99 %
Materials and bulk purchases	302,087,440	(2,000,000)	300,087,440	-	10,900	300,098,340	287,963,630	-	(12,134,710)	96 %	95 %
Transfers and grants	2,318,000	-	2,318,000	-	205,000	2,523,000	2,369,467	-	(153,533)	94 %	102 %
Other expenditure	386,598,290	82,440,679	469,038,969	-	(742,493)	468,296,476	407,964,237	99,085	(60,332,239)	87 %	106 %
Total expenditure	1,173,924,497	93,730,816	1,267,655,313	-	-	1,267,655,313	1,256,478,975	66,128,608	(11,176,338)	99 %	107 %
Surplus/(Deficit)	(55,107,983)	(33,536,760)	(88,644,743)	-		(88,644,743)	(55,785,946)		32,858,797	63 %	101 %

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	157,542,484	115,845,792	273,388,276	-		273,388,276	274,113,346		725,070	100 %	174 %
Contributions recognised - capital and contributed assets	6,620,270	2,200,000	8,820,270	-		8,820,270	33,138,446		24,318,176	376 %	501 %
Surplus (Deficit) after capital transfers and contributions	109,054,771	84,509,032	193,563,803	-		193,563,803	251,465,846		57,902,043	130 %	231 %
Share of surplus (deficit) of associate	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %
Surplus/(Deficit) for the year	109,054,771	84,509,032	193,563,803	-		193,563,803	251,465,846		57,902,043	130 %	231 %

Capital expenditure and funds sources

Total capital expenditure	251,023,959	116,511,019	367,534,978	-		367,534,978	346,196,739		(21,338,239)	94 %	138 %
Sources of capital funds											
Transfers recognised - capital	130,051,430	149,194,488	279,245,918	-		279,245,918	274,113,346		(5,132,572)	98 %	211 %
Public contributions and donations	6,000,000	11,759,461	17,759,461	-		17,759,461	15,847,777		(1,911,684)	89 %	264 %
Borrowing	64,580,000	(44,932,070)	19,647,930	-		19,647,930	10,594,988		(9,052,942)	54 %	16 %
Internally generated funds	50,392,529	489,140	50,881,669	-		50,881,669	45,640,628		(5,241,041)	90 %	91 %
Total sources of capital funds	251,023,959	116,511,019	367,534,978	-		367,534,978	346,196,739		(21,338,239)	94 %	138 %

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	213,505,549	82,878,125	296,383,674	-		296,383,674	477,097,613		180,713,939	161 %	223 %
Net cash from (used) investing	(240,000,000)	(15,074,484)	(255,074,484)	-		(255,074,484)	(189,830,788)		65,243,696	74 %	79 %
Net cash from (used) financing	30,195,772	(45,528,885)	(15,333,113)	-		(15,333,113)	(166,949,027)		(151,615,914)	1,089 %	(553)%
Net increase/(decrease) in cash and cash equivalents	3,701,321	22,274,756	25,976,077	-		25,976,077	120,317,798		94,341,721	463 %	3,251 %
Cash and cash equivalents at the beginning of the year	270,578,446	22,274,755	292,853,201	-		292,853,201	266,877,126		(25,976,075)	91 %	99 %
Cash and cash equivalents at year end	274,279,767	44,549,511	318,829,278	-		318,829,278	387,194,924		(68,365,646)	121 %	141 %

George Local Municipality
Financial Statements for the year ended 30 June 2014

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
2013				
Financial Performance				
Property rates				147,283,672
Service charges				599,559,430
Investment revenue				18,257,237
Transfers recognised - operational				149,610,983
Other own revenue				56,331,180
Total revenue (excluding capital transfers and contributions)				971,042,502
Employee costs	7,545,238	7,545,238	-	(269,332,633)
Remuneration of councillors	-	-	-	(14,547,572)
Debt impairment	12,721,151	12,721,151	-	805,287
Depreciation and asset impairment	-	-	-	(138,215,611)
Finance charges	201,880	201,880	-	(55,450,529)
Materials and bulk purchases	-	-	-	(276,450,354)
Transfers and grants	-	-	-	(1,520,077)
Other expenditure	-	-	-	(244,852,266)
Total expenditure	20,468,269	20,468,269	-	(999,563,755)
Surplus/(Deficit)				(28,521,253)
Transfers recognised - capital				82,904,887
Surplus (Deficit) after capital transfers and contributions				54,383,634
Surplus/(Deficit) for the year				54,383,634
Capital expenditure and funds sources				
Total capital expenditure				113,823,891
Cash flows				
Net cash from (used) operating				193,789,203
Net cash from (used) investing				(111,969,662)
Net cash from (used) financing				(33,843,432)
Net increase/(decrease) in cash and cash equivalents				47,976,109
Cash and cash equivalents at the beginning of the year				218,901,017
Cash and cash equivalents at year end				266,877,126

ACCOUNTING POLICIES

George Municipality is a local government institution in George, Western Cape. The addresses of its registered office and principal place of business are disclosed under General Information. Refer to page 3.

The accounting policies for the Municipality are:

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

These accounting policies are consistent with the previous period unless explicitly stated otherwise. The details of changes in accounting policies are explained in the relevant notes to the financial statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible Assets where the acquisition cost of an asset could not be determined.

The cost for depreciated replacement cost is determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

The Municipality resolved to early adopt the following GRAP standards which have been issued but are not yet effective:

Standard	Description	Effective Date (Year starting on)
GRAP 5 (Revised Feb 2013)	Borrowing Costs	1 April 2014
GRAP 100 (Revised Feb 2013)	Discontinued Operations (formerly known as Non-current assets held for Sale and Discontinued Operations)	1 April 2014

The Municipality resolved to formulate an accounting policy based on the following GRAP standards which have been issued but are not yet effective:

Standard	Description	Effective Date
GRAP105	Transfer of Functions between Entities under common control	1 July 2015
GRAP 20	Related Party Disclosure	Unknown

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

ACCOUNTING POLICIES

Standard	Description	Effective Date (Year starting on)
GRAP 18	Segment Reporting Presentation of the financial statements will be affected by this standard.	Unknown
GRAP 32	Service Concession Arrangements : Grantor No significant impact is expected.	Unknown
GRAP 106	Transfer of Functions Between Entities not under Common Control No significant impact is expected.	1 July 2015
GRAP 107	Mergers No significant impact is expected.	1 July 2015
GRAP 108	Statutory Receivables No significant impact is expected.	Unknown
IGRAP 11	Consolidation - Special Purpose Entities No significant impact is expected.	Unknown
IGRAP12	Jointly Controlled Entities non-monetary contributions No significant impact is expected.	Unknown

1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These financial statements have been prepared on a going concern basis.

1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. In general, materiality is determined as 1% of total expenditure.

1.4 Significant judgements and sources of estimation uncertainty

In preparing the financial statements in conformity with GRAP, management is required to make estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditure. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may vary from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant judgements include:

Property, plant and equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

ACCOUNTING POLICIES

1.4 Significant judgements and sources of estimation uncertainty (continued)

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Intangible assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

Investment property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Provisions

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the effect of discounting is material. Additional disclosures of these estimates of provisions is included in note 18.

Post retirement medical obligations, long service awards and ex gratia gratuities

The cost of post retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 17.

Impairment of receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

ACCOUNTING POLICIES

1.5 Housing Development Fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.6 Property, plant and equipment

Recognition and measurement

Property, plant and equipment is recognised as an asset when it is probable that future economic benefits or service potential associated with the item will flow to the municipality and the cost of the item can be measured reliably.

Items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, where applicable.

Property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, and other directly attributable costs incurred in the acquisition, establishment and installation of such assets so as to bring them to a working condition for their intended use.

The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Trade discounts and rebates are deducted in arriving at the cost.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired are initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

The cost of day-to-day servicing of property, plant and equipment are recognised in surplus or deficit as incurred.

Leased assets

Leases in terms of which the municipality assumes substantially all the risks and rewards of ownership are classified as finance leases. Vehicles and office equipment acquired by way of finance leases are measured upon initial recognition at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

Leased assets are depreciated over the lesser of the useful life or lease term.

Subsequent costs

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the asset are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the originally best estimate of the expected useful life of the asset, then it is regarded as repairs and maintenance and is expensed.

ACCOUNTING POLICIES

1.6 Property, plant and equipment (continued)

Depreciation

Depreciation is recognised in surplus or deficit on a straight-line basis over the estimated useful life of each item of property, plant and equipment.

Depreciation begins when an asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management, and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with GRAP 100. A non-current asset or disposal group is not depreciated while it is classified as held for sale. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The depreciation rates are initially based on the following originally estimated useful lives and thereafter on the estimated remaining useful lives as at year-end.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life in years
Infrastructure	
• Electricity	20 - 30
• Roads and paving	3 - 30
• Water	10 - 20
• Gas	20
• Sewerage	3 - 30
• Pedestrian malls	20
• Airports	20
• Security measures	3 - 30
Community	
• Buildings	20 - 30
• Recreational facilities	20
Other	
• Office equipment	3 - 5
• Furniture and fittings	7
• Bins and containers	10
• Emergency equipment	5 - 15
• Motor vehicles	3 - 20
• Aircraft	Not applicable
• Watercraft	15
• Plant and equipment	2 - 20
Other - general	
• Animal pounds	5
Land and buildings	
• Buildings	30
• Land	Not applicable

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

ACCOUNTING POLICIES

1.6 Property, plant and equipment (continued)

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the municipality.

Application of deemed cost - Directive 7:

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007.

1.7 Investment property

Initial Recognition

Investment property shall be recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Investment property is measured at cost less accumulated depreciation and accumulated impairment losses. Investment property acquired at no or nominal consideration is initially recognised at fair value and subsequently carried at the initially determined fair value less accumulated depreciation and accumulated impairment losses.

Subsequent Measurement

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

ACCOUNTING POLICIES

1.7 Investment property (continued)

Depreciation and impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Investment Property	Years
Buildings	30

Derecognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007.

1.8 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in a municipality's operations that is shown as a single item for the purpose of disclosure in the financial statements.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The municipality assess at each reporting date whether there is an indication that the heritage assets may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

ACCOUNTING POLICIES

1.8 Heritage assets (continued)

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.9 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiable criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Where an intangible asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Subsequent measurement

After the initial measurement of intangible assets, subsequent expenditure is only capitalised if future economic benefits or service potential over the total life of the intangible assets, in excess of the most recently assessed standard of performance of the existing intangible assets, will flow to the municipality.

Intangible assets consist of computer software and amortisation is charged on a straight-line basis over their useful lives, which is estimated to be between 5 to 10 years. (2013: 5 to 10 years). Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised.

ACCOUNTING POLICIES

1.9 Intangible assets (continued)

Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. The impairment loss is the difference between the carrying amount and the recoverable amount.

Amortisation methods and useful lives are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively.

Derecognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.10 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

ACCOUNTING POLICIES

1.10 Financial instruments (continued)

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Classification

The municipality has the following types of financial assets as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade receivables from exchange transactions	Financial asset measured at amortised cost
Trade and other receivables from non-exchange transactions	Financial asset measured at amortised cost
Loans and receivables	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

The municipality has the following types of financial liabilities as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Loans and borrowings	Financial liability measured at amortised cost
Trade and other payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Gains and losses

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

ACCOUNTING POLICIES

1.10 Financial instruments (continued)

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Derecognition

Financial assets

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

ACCOUNTING POLICIES

1.10 Financial instruments (continued)

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

Financial instruments are not used as security unless stated otherwise in the notes.

1.11 Cash and cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

1.12 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes land and buildings elements, the entity assesses the classification of each element separately.

The Municipality as Lessor

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Payments received under operating leases are recognised in surplus or deficit on a straight-line basis over the term of the lease.

ACCOUNTING POLICIES

1.12 Leases (continued)

The Municipality as Lessee

Property, plant and equipment or intangible assets, except intangible assets such as licensing agreements, subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables.

Payments made under operating leases are recognised in surplus or deficit on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

1.13 Inventories

Inventories, consisting of consumable stores, raw materials and properties held for sale are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

Unsold properties held for sale are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

Cost of inventory comprises all costs of purchase, cost of conversion and other cost incurred in bringing the inventory to its present location and condition.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction and then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

Even used for housing developments are properties that was part of the commonage when the municipality was established and the municipality received these properties at no or nominal consideration. The value of these properties is deemed to be equal to their fair value on the date of acquisition.

ACCOUNTING POLICIES

1.13 Inventories (continued)

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Inventory is not used as security unless stated otherwise in the notes.

1.14 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the annually. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is required in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

ACCOUNTING POLICIES

1.14 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.15 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

ACCOUNTING POLICIES

1.15 Impairment of non-cash generating assets (continued)

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

ACCOUNTING POLICIES

1.15 Impairment of non-cash generating assets (continued)

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.16 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for services rendered by employees.

Short-term employee benefits

Remuneration to employees is recognised in the statement of financial performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The costs of all short-term employee benefits such as leave pay and bonuses, are recognised during the period in which the employee renders the related service. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

Long-service award

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The municipality's obligation is valued by independent qualified actuaries at year-end and the corresponding liability is raised. Payments set-off against the liability, including notional interest, resulting from the valuation by the actuaries, are charged against the statement of financial performance.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

ACCOUNTING POLICIES

1.16 Employee benefits (continued)

Accrued leave pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

Staff Bonuses

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonuses accrued at year end for each employee.

Post-employment benefits

Post-employment benefits are benefits paid for current employees to provide for their retirement.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

The Municipality provides post retirement benefits for its employees. Council pays 70% as contributions and the remaining 30% are paid by the members.

Multi-employer Defined Benefit and Defined Contribution Plans

The municipality classifies a multi-employer plan as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the municipality accounts for it in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the municipality account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

The municipality contributes to various National- and Provincial-administered plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to Note 17 of the Financial Statements for details)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the statement of financial performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid.

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

ACCOUNTING POLICIES

1.16 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans. It defines an amount of benefit that an employee will receive on retirement. The municipality's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value. Any unrecognised past service cost and the fair value of any plan assets are deducted.

Actuarial gains and losses comprise of adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting municipality) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting municipality's own creditors (even in liquidation), and cannot be returned to the reporting municipality, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting municipality; or
- the assets are returned to the reporting municipality to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The municipality account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

ACCOUNTING POLICIES

1.16 Employee benefits (continued)

The amount determined as a defined benefit liability may be negative (an asset). The municipality measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

ACCOUNTING POLICIES

1.16 Employee benefits (continued)

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Other post retirement obligations

The municipality provides certain post-retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The Municipality provides post-retirement medical benefits by subsidising the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

1.17 Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of the expenditure required to settle the present obligation. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be reversed.

Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

Provisions shall be reviewed at each reporting date and adjusted to reflect the current best estimate.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits is possible.

ACCOUNTING POLICIES

1.17 Provisions, contingent liabilities and contingent assets (continued)

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Management judgement is required when recognising and measuring contingent liabilities.

1.18 Unspent conditional government grants and receipts

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

A liability for unspent conditional grants is recognised only to the extent that the conditions attached to the grant have not been satisfied and are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be asset-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance
- The cash which backs up the creditor is invested as individual investment or part of the operating account of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.19 Unpaid conditional government grants and receipts

Unpaid conditional grants are assets in terms of GRAP that are separately reflected on the Statement of Financial Position. The asset is recognised when the municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

The following provisions are set for the creation and utilisation of the grants as receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.20 Grant-in-aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time in accordance with Section 67 of the MFMA. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

1.21 Revenue

Revenue includes rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be reliably measured, except when specifically stated otherwise.

ACCOUNTING POLICIES

1.21 Revenue (continued)

Revenue from the sale of goods in the ordinary course of the municipality's activities is measured at the fair value of the consideration received or receivable, net of value-added tax, estimated returns, rebates and discounts. Revenue from the rendering of services is recognised in surplus or deficit in proportion to the stage of completion of the transaction at the reporting date.

Revenue from Exchange Transactions

Service Charges

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

Pre-paid electricity

Revenue from the sale of electricity prepaid units is recognised when the risks and rewards of ownership has passed to the buyer. At year-end the recognition is based on an estimate of the prepaid electricity consumed as at the reporting date. The consumption of pre-paid electricity is measured by using a trend analysis and other historical data about electricity usage.

Interest earned and rentals received

Interest income is recognised in surplus or deficit as it accrues, using the effective interest rate method. Rental income is recognised on a straight-line basis over the lease term. Interest may be transferred from the Accumulated Surplus to the Housing Development Fund.

Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the service is rendered by applying the relevant approved tariff. This includes the issuing of licences and permits.

Agency commission

Commission for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Housing rental and instalments

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised as it accrues in surplus or deficit using the effective interest method.

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership are transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of the goods can be estimated reliably, there is no continuing managerial involvement with the goods, and the amount of revenue can be measured reliably.

ACCOUNTING POLICIES

1.21 Revenue (continued)

Revenue from non-exchange transactions

Rates and taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised using the effective interest method. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Fines

Fine revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons are issued. In cases where fines and summonses are issued by another government institute, revenue will only be recognised when monies are received, as the Municipality does not have any control over fines issued by other government institutes/departments.

Donations and Contributions

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, at the fair value of the property, plant and equipment received or receivable. Contributed property, plant and equipment are recognised when the risks and rewards of ownership have transferred to the municipality.

Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Unconditional grant

An unconditional grant is recognised in surplus or deficit when the grant becomes receivable.

Conditional grants and receipts

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the grantor it is recorded as part of the liability and if not it is recognised as interest earned in the statement of financial performance.

Grants that compensate the municipality for expenses incurred are recognised in surplus or deficit on a systematic basis in the same periods in which the expenses are recognised.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Grants and receipts of a revenue nature

Income is transferred to the statement of financial performance as revenue to the extent that the criteria, conditions or obligations have been met.

1.22 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

ACCOUNTING POLICIES

1.23 Value Added Tax

Revenue, expenses and assets are recognised net of the amounts of Value Added Tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

The Municipality accounts for Value Added Tax on the payment basis. The municipality is liable to account for Value Added Tax at the standard rate (14%) in terms of section 7(1) of the VAT Act, in respect of the supply of goods or services except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 or is out of scope for VAT purposes. The timing of payments to or from the South African Revenue Service is the last day of each of the twelve months of the financial year.

1.24 Capital commitments

Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.25 Events after reporting date

Events after the reporting date that are classified as adjusting events are accounted for in the financial statements. The events after the reporting date that are classified as non-adjusting events after the reporting date are disclosed in the notes to the financial statements.

1.26 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2nd and 3rd bullet, or over which such a person is able to exercise significant influence.

Key management personnel include:

- All directors or members of the governing body of the entity, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

1.27 Budget information

The Municipality is subject to budgetary limits in the form of a council approved budget, which is given effect through authorising legislation.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by functional classification linked to performance outcome objectives.

ACCOUNTING POLICIES

1.27 Budget information (continued)

The approved budget covers the fiscal period from 01-07-2013 to 30-06-2014.

The financial statements and the budget are on the same basis of accounting except for certain accounting entries (e.g. movement in legal provisions) therefore a reconciliation between the statement of financial performance and the budget have been included in the financial statements. Refer to the Statement of Comparison of Budget and Actual Amounts.

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements. Material differences are being defined by Management as 10% of a specific line-item. Explanations for material differences between the final budget amounts and actual amounts are included the Notes to the Financial Statements - Refer to note 51.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

1.28 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the statement of financial performance in the year that the expense was incurred and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by Council it is treated as an asset until it is recovered or written off as irrecoverable.

1.29 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.30 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

1.31 Comparative information

Prior year comparatives

When the presentation or classification of items in the financial statements is amended, comparative amounts are restated or reclassified except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the amendment. The nature and reason for the restatement or reclassification is disclosed in note 42.

ACCOUNTING POLICIES

1.32 Change in accounting policies, estimates and errors

Changes in accounting policies that are effected by management are applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively. Details of changes in estimates are disclosed in the notes to the financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to note 42 of the financial statements for details of corrections of errors recorded during the period under review.

1.33 Amended disclosure policy

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

George Local Municipality
Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
2. Inventories		
Consumable stores - at cost	9,687,934	7,833,516
Maintenance materials, chemicals and water reserve - at cost	11,028,266	9,677,608
Work-in-progress - Property Developments - at cost	230,009	279,127
Unsold Properties Held for Resale	153,740,500	165,904,400
	174,686,709	183,694,651

The cost of inventories recognised as an expense includes R1,307,966 (2013: R157,685) in respect of inventory written down to net realisable value (refer to note 36).

Erven used for housing developments measured as per accounting policy 1.13.

3. Trade receivables from exchange transactions

Gross balances

Electricity	41,432,612	46,058,467
Water	53,581,244	41,223,618
Sewerage	21,022,514	19,467,038
Refuse	15,252,276	14,434,775
Housing loan instalments	824,513	857,165
Housing rental	405,475	371,127
Other consumer debtors	10,063,315	6,973,734
	142,581,949	129,385,924

Less: Allowance for impairment

Electricity	9,468,684	8,111,885
Water	36,980,788	24,455,595
Sewerage	13,505,698	12,449,713
Refuse	10,623,246	10,148,032
Housing loan instalments	583,155	792,290
Housing rental	366,915	345,150
Other consumer debtors	908,414	1,304,708
	72,436,900	57,607,373

Net balance

Electricity	31,963,928	37,946,582
Water	16,600,456	16,768,023
Sewerage	7,516,816	7,017,325
Refuse	4,629,030	4,286,743
Housing loan instalments	241,358	64,875
Housing rental	38,560	25,977
Other consumer debtors	9,154,901	5,669,026
	70,145,049	71,778,551

The prior period balances were restated for prior period error adjustments. Refer to notes 42.9 and 42.10 for more detail.

George Local Municipality
Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
3. Trade receivables from exchange transactions (continued)		
Electricity		
Current (0 -30 days)	28,156,465	30,627,523
31 - 60 days	1,824,306	2,457,822
61 - 90 days	412,065	1,112,101
91 - 120 days	550,695	772,324
121 - 365 days	10,489,081	11,088,697
Less: Allowance for impairment	(9,468,684)	(8,111,885)
	31,963,928	37,946,582
Water		
Current (0 -30 days)	15,735,596	14,661,088
31 - 60 days	3,018,273	2,431,839
61 - 90 days	2,065,409	2,049,095
91 - 120 days	2,165,562	1,691,203
121 - 365 days	30,596,404	20,390,393
Less: Allowance for impairment	(36,980,788)	(24,455,595)
	16,600,456	16,768,023
Sewerage		
Current (0 -30 days)	4,705,516	4,308,901
31 - 60 days	1,034,595	987,724
61 - 90 days	711,748	690,573
91 - 120 days	595,082	542,866
121 - 365 days	13,975,573	12,936,974
Less: Allowance for impairment	(13,505,698)	(12,449,713)
	7,516,816	7,017,325
Refuse		
Current (0 -30 days)	3,406,693	3,265,525
31 - 60 days	656,727	689,982
61 - 90 days	476,778	490,594
91 - 120 days	393,325	391,920
121 - 365 days	10,318,753	9,596,754
Less: Allowance for impairment	(10,623,246)	(10,148,032)
	4,629,030	4,286,743
Housing loans instalments		
Current (0 -30 days)	157,435	69,845
31 - 60 days	19,793	21,743
61 - 90 days	15,166	15,313
91 - 120 days	12,943	15,303
121 - 365 days	619,176	734,961
Less: Allowance for impairment	(583,155)	(792,290)
	241,358	64,875

George Local Municipality
Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
3. Trade receivables from exchange transactions (continued)		
Housing rental		
Current (0 -30 days)	43,515	60,318
31 - 60 days	11,613	12,792
61 - 90 days	10,463	9,614
91 - 120 days	9,413	8,772
121 - 365 days	330,471	279,631
Less: Allowance for impairment	(366,915)	(345,150)
	38,560	25,977
Other (specify)		
Current (0 -30 days)	2,298,437	729,500
31 - 60 days	785,745	651,363
61 - 90 days	735,021	167,980
91 - 120 days	516,048	8,894
121 - 365 days	5,728,064	5,415,997
Less: Allowance for impairment	(908,414)	(1,304,708)
	9,154,901	5,669,026
Summary of debtors by customer classification		
Residential consumers		
Current (0 -30 days)	23,129,135	20,945,407
31 - 60 days	5,071,914	4,738,558
61 - 90 days	3,540,700	3,334,786
91 - 120 days	3,587,895	2,718,798
121 - 365 days	61,408,217	49,417,910
	96,737,861	81,155,459
Less: Allowance for impairment	(65,956,512)	(52,549,313)
	30,781,349	28,606,146
Industrial/ commercial		
Current (0 -30 days)	27,991,141	29,930,841
31 - 60 days	1,714,356	2,095,871
61 - 90 days	838,812	883,146
91 - 120 days	620,226	398,546
121 - 365 days	10,008,052	10,386,739
	41,172,587	43,695,143
Less: Allowance for impairment	(6,480,162)	(5,058,059)
	34,692,425	38,637,084
National and provincial government		
Current (0 -30 days)	3,383,380	2,846,453
31 - 60 days	564,783	418,835
61 - 90 days	47,137	317,339
91 - 120 days	34,946	313,938
121 - 365 days	641,254	638,756
	4,671,500	4,535,321

George Local Municipality
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Notes to the Financial Statements

Figures in Rand	2014	2013
3. Trade receivables from exchange transactions (continued)		
Total		
Current (0 -30 days)	54,503,656	53,722,701
31 - 60 days	7,351,053	7,253,264
61 - 90 days	4,426,649	4,535,273
91 - 120 days	4,243,067	3,431,281
121 - 365 days	72,057,524	60,443,405
	<u>142,581,949</u>	<u>129,385,924</u>
Less: Allowance for impairment	<u>(72,436,900)</u>	<u>(57,607,373)</u>
	<u>70,145,049</u>	<u>71,778,551</u>

Reconciliation of allowance for impairment for receivables from exchange transactions

2014	Balance at the beginning of the year	Impairment losses recognised	Amounts written off as uncollectable (normal)	Amounts written off as uncollectable (indigent)	Balance at the end of the year
Electricity	8,111,885	1,436,347	(54,349)	(25,199)	9,468,684
Water	24,455,596	16,870,488	(585,059)	(3,760,237)	36,980,788
Sewerage	12,449,713	4,024,863	(232,014)	(2,736,863)	13,505,699
Refuse	10,148,032	3,214,629	(170,395)	(2,569,020)	10,623,246
Housing loan instalments	792,290	(209,135)	-	-	583,155
Housing rentals	345,150	21,765	-	-	366,915
Other consumer debtors	1,304,707	(396,294)	-	-	908,413
	<u>57,607,373</u>	<u>24,962,663</u>	<u>(1,041,817)</u>	<u>(9,091,319)</u>	<u>72,436,900</u>

2013	Balance at the beginning of the year	Impairment losses recognised	Amounts written off as uncollectable (normal)	Amounts written off as uncollectable (indigent)	Balance at the end of the year
Electricity	9,606,543	(1,393,628)	(32,043)	(68,987)	8,111,885
Water	5,478,917	20,447,489	(115,427)	(1,355,383)	24,455,596
Sewerage	3,327,985	10,502,566	(114,817)	(1,266,021)	12,449,713
Refuse	2,582,338	8,881,701	(169,578)	(1,146,429)	10,148,032
Housing loan instalments	231,525	560,765	-	-	792,290
Housing rentals	76,363	268,787	-	-	345,150
Other consumer debtors	777,281	527,426	-	-	1,304,707
	<u>22,080,952</u>	<u>39,795,106</u>	<u>(431,865)</u>	<u>(3,836,820)</u>	<u>57,607,373</u>

Total debtors past due but not impaired	2014	2013
31 - 60 days	1,723,404	314,340
61 - 90 days	1,094,312	216,649
91 - 120 days	1,383,101	235,709
121 - 365 days	14,030,075	7,867,045
	<u>18,230,892</u>	<u>8,633,743</u>

George Local Municipality
Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
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3. Trade receivables from exchange transactions (continued)

Credit quality of consumer debtors

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

4. Trade and other receivables from non-exchange transactions

Taxation receivables

Net Rates	16,134,898	23,747,225
Gross rates	26,253,567	26,753,871
Allowance for impairment on rates	(10,118,669)	(3,006,646)

Transfer receivable

Net Fines	12,408,386	4,492,563
Fines	51,299,150	4,492,563
Allowance for impairment on fines	(38,890,764)	-

Government grants and subsidies (Refer to note 19)	58,404,606	29,729,242
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Other receivables

Sundry receivables	25,119,543	34,777,298
Allowance for impairment on sundry receivables	23,729,454	10,371,639
Deposits	(66,989)	(225,424)
Eskom	20,000	20,000
Non-cash portion of Housing Development Fund	-	23,214,487
Operating lease receivables	1,240,795	1,221,666
	196,283	174,930
	112,067,433	92,746,328

The prior period balances were restated for reclassification adjustments and prior year errors. Refer to notes 42.3, 42.4, 42.7, 42.9, 42.13 and 42.14 for more detail.

The ageing of trade receivables from non-exchange transactions

Rates

Current (0 - 30 days)	7,875,316	7,200,740
31 - 60 days	1,340,793	1,471,035
61 - 90 days	876,377	817,061
91 - 120 days	723,106	619,382
121 - 365 days	15,437,976	16,645,653
	26,253,568	26,753,871
Less: Allowance for impairment	(10,118,669)	(3,006,646)
	16,134,899	23,747,225

George Local Municipality
Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
4. Trade and other receivables from non-exchange transactions (continued)		
Summary of Rates by customer classification		
Residential consumers		
Current (0 - 30 days)	6,069,900	5,886,687
31 - 60 days	1,103,674	1,136,639
61 - 90 days	680,815	693,536
91 - 120 days	534,823	532,130
121 - 365 days	13,174,267	14,474,484
	<u>21,563,479</u>	<u>22,723,476</u>
Less: Allowance for impairment	(9,168,781)	(2,807,270)
	<u>12,394,698</u>	<u>19,916,206</u>
Industrial / commercial		
Current (0 - 30 days)	1,493,563	1,302,290
31 - 60 days	234,647	333,056
61 - 90 days	193,548	122,955
91 - 120 days	186,303	86,684
121 - 365 days	1,629,126	1,524,724
	<u>3,737,187</u>	<u>3,369,709</u>
Less: Allowance for impairment	(949,888)	(199,377)
	<u>2,787,299</u>	<u>3,170,332</u>
National and provincial government and other		
Current (0 - 30 days)	311,852	11,763
31 - 60 days	2,472	1,341
61 - 90 days	2,014	571
91 - 120 days	1,980	569
121 - 365 days	634,582	646,445
	<u>952,900</u>	<u>660,689</u>
Less: Allowance for impairment	-	-
	<u>952,900</u>	<u>660,689</u>
Total of rates by customer classification	<u>16,134,899</u>	<u>23,747,225</u>
Fines		
The ageing of fines are as follows:		
Current (0 - 30 days)	3,802,300	-
31 - 60 days	3,977,850	-
61 - 90 days	5,594,700	-
91 - 120 days	6,028,900	-
121 - 365 days	31,895,400	4,492,563
	<u>51,299,150</u>	<u>4,492,563</u>
Less: Allowance for impairment	(38,890,764)	-
	<u>12,408,386</u>	<u>4,492,563</u>

Notes to the Financial Statements

Figures in Rand	2014	2013
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4. Trade and other receivables from non-exchange transactions (continued)

The Accounting Standard Board amended iGRAP 1 Applying the Probability Test on the Initial Recognition of Revenue to include revenue from non-exchange transactions. This amendment is applicable to municipalities from 1 July 2013. IGRAP 1 indicates that entities should not consider the probability of non-payment on the initial recognition of revenue. This should be considered as a subsequent event when assessing impairment. This Interpretation of the Standards of GRAP is applied prospectively.

Fine revenue of all fines issued during the current year amounted to R60,479,600. The outstanding fines were assessed for impairment based on the payment history of fines issued. R38,890,764 was provided as bad debt.

Reconciliation of provision for impairment of trade and other receivables from non-exchange transactions

	Balance at the beginning of the year	Impairment losses recognised / (reversed)	Amounts written off as uncollectable (normal)	Amounts written off as uncollectable (indigent)	Balance at the end of the year
2014					
Taxation receivables (Gross Rates)	3,006,646	7,907,800	(65,220)	(730,557)	10,118,669
Transfer receivables (Fines)	-	38,890,764	-	-	38,890,764
Other receivable	225,424	(158,435)	-	-	66,989
	3,232,070	46,640,129	(65,220)	(730,557)	49,076,422
2013					
Taxation receivables	5,495,278	(1,941,183)	(350,294)	(197,155)	3,006,646
Other receivables	384,677	-	(159,253)	-	225,424
	5,879,955	(1,941,183)	(509,547)	(197,155)	3,232,070

The impairment allowance was calculated after grouping all the financial assets of similar nature and risk ratings and by calculating the historical payment ratios for the groupings and by assuming that the future payment ratios would be similar to the historical payment ratios. The impairment allowance on Taxation Receivables and Other Receivables exists predominantly due to the possibility that these debts will not be recovered. Taxation Receivables and Other Receivables were assessed individually and grouped together as financial assets with similar credit risk characteristics and collectively assessed for impairment. Accordingly, management believes no further credit provisions are required in excess of the present allowance for doubtful debts.

Rates debtors past due not impaired	2014	2013
31 - 60 days	314,340	916,174
61 - 90 days	216,649	373,166
91 - 120 days	235,709	242,924
121 - 365 days	7,867,045	15,881,074
	8,633,743	17,413,338

Credit quality of trade receivables from non-exchange transactions

Taxation debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary.

George Local Municipality
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Notes to the Financial Statements

Figures in Rand	2014	2013
4. Trade and other receivables from non-exchange transactions (continued)		
Concentrations of credit risk with respect to taxation debtors are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.		
Operating lease asset		
Operating lease asset		
Opening balance	174,930	181,083
Revenue recognised in the Statement of Financial Performance	21,353	(6,153)
	196,283	174,930
Operating leases - as lessor (income)		
Minimum lease payments due		
- within one year	445,432	531,298
- in second to fifth year inclusive	1,039,758	1,120,113
- later than five years	471,306	460,301
	1,956,496	2,111,712

Operating leases relate to property owned by the municipality with lease terms of between 5 and 20 years, with an option to extend for a further 10 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

The municipality has operating lease agreements for the following classes of assets, which are only significant collectively:

- Municipal buildings
- Vacant land

No restrictions have been imposed on the municipality in terms of the operating lease agreements.

George Local Municipality
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Notes to the Financial Statements

Figures in Rand	2014	2013
5. Prepayments		
Prepayments consist of the following:		
SALGA	2,913,100	-
Mercedes-Benz South Africa Ltd	140,192,000	-
	143,105,100	-

SALGA

SALGA membership fees for the 2014/2015 financial year were paid in May 2014 and the Municipality received a 5% discount for early settlement.

Mercedes-Benz South Africa Ltd

The Municipality, jointly with the Provincial Government of the Western Cape via its Department of Transport and Public Works, is implementing the George Integrated Public Transport Network for the delivery of public transport services in the George municipal area.

Mercedes-Benz South Africa Ltd has been selected by the Municipality, in accordance with an open Supply Chain Management competitive bidding procedure under section 110 of the Municipal Finance Management Act 56 of 2003 for the delivery of buses to be used in the public transport services.

Payments for the assembly of the buses were made to Mercedes-Benz South Africa Ltd in term of the signed service level agreement. Mercedes-Benz South Africa Ltd provided the Municipality with an industry standard performance guarantee of R60 million. The Municipality may claim this guarantee if the contract with Mercedes-Benz South Africa Ltd is terminated.

6. VAT receivable

VAT receivable from / (payable to) SARS	2,938,889	2,070,616
VAT input provision	8,847,760	7,011,949
VAT output provision	(6,113,196)	(6,124,854)
	5,673,453	2,957,711

VAT is payable to SARS on the payment basis. Only once payment is received from customers, VAT is paid over to SARS. No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are effected before the due date.

The prior period balances were restated for prior period error adjustments. Refer to note 42.9 for more detail.

7. Loans and receivables

As at 30 June 2014	Gross balance	Impairment allowance	Net balance	Transferred to current assets	Non-current
Housing scheme loans	1,407,039	(752,683)	654,356	(121,610)	532,746
Sale of erven loans	163,228	-	163,228	(9,007)	154,221
Loans to other organisations	240,141	-	240,141	(136,897)	103,244
Actaris meter debt	259,644	-	259,644	(60,522)	199,122
	2,070,052	(752,683)	1,317,369	(328,036)	989,333

George Local Municipality
Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand			2014	2013	
7. Loans and receivables (continued)					
As at 30 June 2013	Gross balance	Impairment allowance	Net balance	Transferred to current assets	Non-current
Housing scheme loans	1,694,412	(926,781)	767,631	(121,730)	645,901
Sale of erven loans	159,382	-	159,382	(10,781)	148,601
Loans to other organisations	356,797	-	356,797	(116,655)	240,142
Actaris meter debt	184,276	-	184,276	(55,283)	128,993
	2,394,867	(926,781)	1,468,086	(304,449)	1,163,637

Loans and receivables are not secured.

Housing scheme loans

No housing loans may be granted to officials and the public. The outstanding amount is in respect of loans granted before 1 July 2005 and will be recovered over the remaining period of the loan agreements. The interest rate applicable to the loans is 13.5%.

Sale of erven loans

As from 1 July 2006 no loan agreements are entered into for the sale of erven. The outstanding loans will be recovered over the remaining period of the individual loan agreements entered into. The interest rates applicable to the loans varies between 11.0% and 14.5%.

Loans to other organisations

The outstanding amount is in respect of loans granted to sports organisations (Section 185 (a) Ord.20 of 1974) before 1 July 2005 and will be recovered over the remaining period of the loan agreements. The loans consist of a loan to George Golf Club at 17.0% and Outeniqua Bowling Club at 8.0%.

Actaris meter costs

Arrear amounts on services are capitalised on completion of a formal agreement. These arrear amounts are then paid to the municipality in monthly instalments over a period not exceeding 60 months. No interest is charged on these amounts where the stipulations of the agreement are adhered to.

The management of the municipality is of the opinion that the carrying value of loans and receivables recorded at amortised cost in the Financial Statements approximate their fair values.

The fair value of loans and receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratios of the municipality's trade receivables.

The provision for doubtful debts on other debtors (loans and receivables) exists due to the possibility that not all these debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Reconciliation of impairment allowance

2014	Balance at beginning of year	Impairment losses reversed	Amounts written off as uncollectable	Balance at end of the year
Housing scheme loans	926,781	(174,098)	-	752,683

George Local Municipality
Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand			2014	2013
7. Loans and receivables (continued)				
2013	Balance at beginning of the year	Impairment losses reversed	Amounts written off as uncollectable	Balance at end of the year
Housing scheme loans	1,738,966	(812,185)	-	926,781
8. Cash and cash equivalents				
Cash and cash equivalents consist of:				
Cash on hand			20,250	19,150
Bank balances			287,174,674	266,857,976
Short-term deposits			100,000,000	-
			387,194,924	266,877,126

Cash and cash equivalents pledged as collateral

No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review.

The municipality had the following bank accounts:

Account number / description	Bank statement balances		Cash book balances	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
ABSA BANK - Cheque Account - 102 222 0981	284,338,650	266,343,215	287,174,674	266,857,976
ABSA ACTARIS - Cheque Account - 405 479 8136	-	95,850	-	-
ABSA - George Charitable Relief Fund - 914 955 4208	194,368	135,526	-	-
ABSA FINES - Cheque Account - 405 479 7318	33,000	-	-	-
Nedbank Fixed Deposit - 788 106 1561	100,000,000	-	100,000,000	-
Cash on hand	-	-	20,250	19,150
Total	384,566,018	266,574,591	387,194,924	266,877,126

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings.

The credit rating was obtained from Moody's Investor Services Inc.

Credit rating of financial institutions

C-	384,566,018	266,574,591
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George Local Municipality
Financial Statements for the year ended 30 June 2014

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9. Property, plant and equipment

	2014			2013		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land and Buildings	951,441,252	(13,729,736)	937,711,516	951,408,653	(12,434,157)	938,974,496
Infrastructure	1,867,044,857	(611,202,090)	1,255,842,767	1,700,727,269	(517,375,769)	1,183,351,500
Community	222,021,496	(60,992,433)	161,029,063	197,980,108	(53,793,625)	144,186,483
Other	120,592,661	(63,403,593)	57,189,068	101,314,592	(56,534,779)	44,779,813
Work in progress	247,305	-	247,305	4,192,277	-	4,192,277
Total	3,161,347,571	(749,327,852)	2,412,019,719	2,955,622,899	(640,138,330)	2,315,484,569

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	WIP transfers - completed projects	Transfer from Inventory	Depreciation	Total
Land and buildings	938,974,496	-	-	-	32,600	(1,295,580)	937,711,516
Infrastructure	1,183,351,500	164,304,609	(32,048)	2,096,513	-	(93,877,807)	1,255,842,767
Community	144,186,483	21,425,930	(27,073)	2,643,388	-	(7,199,665)	161,029,063
Other	44,779,813	19,479,271	(41,321)	-	-	(7,028,695)	57,189,068
Work in progress	4,192,277	794,929	-	(4,739,901)	-	-	247,305
	2,315,484,569	206,004,739	(100,442)	-	32,600	(109,401,747)	2,412,019,719

George Local Municipality
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9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	WIP transfers - completed projects	Transfers to Investment Property (cost)	Transfer to Investment Property (Acc Depreciation)	Depreciation	Total
Land and Buildings	940,459,999	98,500	(202,014)	-	-	-	(1,381,989)	938,974,496
Infrastructure	1,150,179,442	100,805,837	-	19,832,543	-	-	(87,466,322)	1,183,351,500
Community	152,427,099	2,774,222	-	-	(4,702,815)	1,718,482	(8,030,505)	144,186,483
Other	48,347,670	5,108,658	(109,951)	-	-	-	(8,566,564)	44,779,813
Work in progress	19,072,619	4,952,201	-	(19,832,543)	-	-	-	4,192,277
	2,310,486,829	113,739,418	(311,965)	-	(4,702,815)	1,718,482	(105,445,380)	2,315,484,569

A detailed breakdown of property, plant and equipment by asset class can be found in note 52.

The municipality received public donated assets of R15,847,777 (2013: R749,384) which forms part of the asset additions for the year.

The prior period balances were restated for prior year errors. Refer to notes 42.11, 42.12 and 42.13.

Assets subject to finance lease (Net carrying amount)

	2014	2013
Vehicles	10,544,640	-

Refer to note 14 for details of finance leases.

Notes to the Financial Statements

Figures in Rand	2014	2013
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10. Intangible assets

	2014			2013		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	3,667,246	(2,867,680)	799,566	3,667,247	(2,378,243)	1,289,004

Reconciliation of intangible assets - 2014

	Opening balance	Amortisation	Total
Computer software	1,289,004	(489,438)	799,566

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Computer software	1,802,071	84,474	(597,541)	1,289,004

11. Heritage assets

	2014			2013		
	Cost	Accumulated impairment losses	Carrying value	Cost	Accumulated impairment losses	Carrying value
Historical monuments and open areas	4,236,000	-	4,236,000	4,236,000	-	4,236,000

Reconciliation of heritage assets 2014

	Opening balance	Total
Historical monuments and open areas	4,236,000	4,236,000

Reconciliation of heritage assets 2013

	Opening balance	Total
Historical monuments and open areas	4,236,000	4,236,000

Notes to the Financial Statements

Figures in Rand	2014	2013
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11. Heritage assets (continued)

Details of heritage assets

Wilderness Commonage	4,050,000	4,050,000
Old Uniondale Fort	186,000	186,000
	4,236,000	4,236,000

Wilderness Commonage: This piece of land has a cultural and historical value due to being a stopover or resting place for ox-wagons travelling to Cape Town.

Old Uniondale Fort: During the Anglo Boer War, Uniondale was protected by six British forts of which one has been restored to its original state.

12. Investment property

	2014			2013		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	149,783,500	-	149,783,500	149,783,500	-	149,783,500
Buildings	4,981,973	(2,186,111)	2,795,862	4,981,974	(2,024,539)	2,957,435
Total	154,765,473	(2,186,111)	152,579,362	154,765,474	(2,024,539)	152,740,935

Reconciliation of investment property - 2014

	Opening balance	Depreciation	Total
Land	149,783,500	-	149,783,500
Buildings	2,957,435	(161,573)	2,795,862
	152,740,935	(161,573)	152,579,362

Reconciliation of investment property - 2013

	Opening balance	Transfers from / (to) property, plant and equipment	Accumulated depreciation (brought forward) of transferred PPE	Depreciation	Total
Land	149,783,500	-	-	-	149,783,500
Buildings	134,675	4,702,815	(1,718,482)	(161,573)	2,957,435
	149,918,175	4,702,815	(1,718,482)	(161,573)	152,740,935

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Notes to the Financial Statements

Figures in Rand	2014	2013
12. Investment property (continued)		
Other disclosure		
Included in the surplus for the year are the following:		
Total rental income from investment property	584,966	446,380
Total operating expenses arising from investment property generating rental revenue	(403)	-
Total operating expenses arising from investment property not generating rental revenue	-	-
	584,563	446,380
13. Loans and borrowings		
At amortised cost		
Annuity loans	448,465,183	484,455,446
Other loans	1,605,272	2,578,119
	450,070,455	487,033,565
Non-current liabilities		
Annuity loans	408,682,920	448,465,183
Other loans	904,220	1,605,272
	409,587,140	450,070,455
Current liabilities		
Annuity loans	39,782,263	35,990,263
Other loans	701,052	972,847
	40,483,315	36,963,110

Annuity loans

Annuity loans are repaid over periods varying from 2 years to 15 years (2013: 2 years to 16 years) and at interest rates varying from 6.75% to 12,665% (2013: 6.75% to 12,665%) per annum. Annuity loans are not secured.

Other loans

Other loans were used for the phased electrification of dwellings in the greater George area not yet electrified. Other loans are repaid over periods varying from 1 year to 6 years (2013: 1 year to 7 years) and at interest rates varying from 7,835% to 12% (2013: 7,835% and 12%) per annum. Other loans are not secured.

George Local Municipality
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Figures in Rand	2014	2013
14. Finance lease obligation		
Minimum lease payments due		
- within one year	2,641,794	-
- in second to fifth year inclusive	10,142,180	-
	<u>12,783,974</u>	<u>-</u>
Less: Future finance charges	(2,529,259)	-
Present value of minimum lease payments	<u>10,254,715</u>	<u>-</u>
Present value of minimum lease payments due		
- within one year	1,793,004	-
- in second to fifth year inclusive	8,461,711	-
	<u>10,254,715</u>	<u>-</u>
Non-current liabilities	8,461,711	-
Current liabilities	1,793,004	-
	<u>10,254,715</u>	<u>-</u>

The municipality entered into hire purchase agreements for vehicle acquisitions. The average lease term is 5 years and the average effective borrowing rate is 8.70%. Interest rates are fixed at the contract date and all leases have fixed repayments terms.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 9 for more detail.

15. Trade and other payables from exchange transactions

Trade payables	73,691,292	63,297,726
Payments received in advance	13,904,225	12,528,773
Retentions	13,488,508	13,428,961
Sundry Deposits	7,030,952	6,502,583
Other payables	8,335,217	5,455,471
Operating lease liability	-	4,539
	<u>116,450,194</u>	<u>101,218,053</u>

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within credit timeframe.

The management of the municipality is of the opinion that the carrying value of trade and other payables approximate their fair values. The fair value of trade and other payables was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

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Notes to the Financial Statements

Figures in Rand	2014	2013
15. Trade and other payables from exchange transactions (continued)		
Operating leases with fixed escalation clauses are recognised on the straight-line basis. The operating lease liability was calculated as follows:		
Operating lease liability		
Balance at beginning of year	4,539	5,628
Operating lease expenses recognised in the Statement of Financial Performance	(4,539)	(1,089)
	<u>-</u>	<u>4,539</u>

Refer to note 38 for information on operating lease commitments.

The prior period balances were restated for reclassification adjustments and prior year errors. Refer to notes 42.3, 42.5 and 42.6 for more detail.

16. Consumer deposits

Electricity and water	<u>19,902,234</u>	<u>17,697,494</u>
Guarantees		
Guarantees held in lieu of electricity and water deposits	<u>9,644,374</u>	<u>8,174,175</u>

Consumer deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding accounts.

Guarantees are given by business consumers on application for new water and electricity connections instead of deposits. In cases where consumers default on their accounts, the municipality can request the guarantee amounts from the consumers' bank as payment for the outstanding accounts.

17. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

Non-current liabilities		
Post-Retirement Medical Aid benefits liability	113,770,796	101,319,347
Ex-gratia pension benefits liability	2,458,492	2,926,051
Long service awards	16,214,645	14,757,532
Performance bonus	-	189,121
	<u>132,443,933</u>	<u>119,192,051</u>
Current liabilities		
Post-Retirement Medical Aid benefits liability	3,997,188	4,102,860
Ex-gratia pension benefits liability	598,877	261,289
Long service awards	1,766,920	1,878,488
Performance bonus	189,121	-
Staff leave	23,732,826	22,230,646
Staff annual bonus	7,918,385	6,491,659
Cape Joint Pension Fund (Refer to note 18)	1,272,817	-
	<u>39,476,134</u>	<u>34,964,942</u>

George Local Municipality
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Notes to the Financial Statements

Figures in Rand	2014	2013
17. Employee benefit obligations (continued)		
Total liabilities		
Post-Retirement Medical Aid benefits liability	117,767,984	105,422,207
Ex-gratia pension benefits liability	3,057,369	3,187,340
Long service awards	17,981,565	16,636,020
Performance bonus	189,121	189,121
Staff leave	23,732,826	22,230,646
Staff annual bonus	7,918,385	6,491,659
Cape Joint Pension Fund (Refer to note 18)	1,272,817	-
	171,920,067	154,156,993

The prior period balances were restated for reclassification adjustments and prior year errors. Refer to notes 42.3 and 42.15 for more detail.

Post-retirement medical aid benefit liability

The municipality provides certain post-retirement medical benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2014. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

In-service (Employees) members	509	514
In-service (Employees) non-members	483	474
Continuation members (Retirees, widowers and orphans)	123	128
	1,115	1,116
In-service members	59,202,494	45,710,253
Continuation members	58,565,490	59,711,954
	117,767,984	105,422,207

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- Bonitas
- LA Health
- Hosmed
- Key Health
- Samwumed

The Current-service cost for the year ending 30 June 2015 is estimated to be R4,709,095 (2014: R3,731,100) whereas the interest cost for the same year is estimated to be R10,388,010 (2014: R8,808,700).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

i) Rate of interest		
Discount rate	8.97 %	8.52 %
Health care cost inflation rate	8.17 %	7.52 %
Net effective discount rate	0.74 %	0.93 %

George Local Municipality
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Notes to the Financial Statements

Figures in Rand	2014	2013
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17. Employee benefit obligations (continued)

Expected retirement age - females	62	62
Expected retirement age - males	62	62

Discount rate: GRAP 25 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used. Consequently, a discount rate of 8.97% per annum has been used. The corresponding index-linked yield at this term is 1.69%. These rates do not reflect any adjustment for taxation. These rates were deduced from the JSE Zero Coupon bond yield after the market close on 30 June 2014.

ii) Mortality rates

Pre-retirement	SA 85 - 90 mortality table
Post-retirement	PA (90 - 1) ultimate mortality table

iii) Normal retirement age

The normal retirement age for employees of the municipality was assumed to be 65 years where data was unavailable.

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	117,767,984	105,422,207
Fair value plan assets	-	-
	117,767,984	105,422,207
Unrecognised past-service cost	-	-
Unrecognised actuarial gains / (losses)	-	-
Present value of unfunded obligations	117,767,984	105,422,207
	117,767,984	105,422,207

Amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	3,731,100	3,331,550
Interest cost	8,808,662	7,335,837
Recognised actuarial losses / (gains)	3,908,875	2,274,429
Total included in Employee Related Cost (refer to note 27)	16,448,637	12,941,816

The movement in the defined benefit obligation over the year is as follows:

Balance at the beginning of the year	105,422,207	96,839,887
- Current service cost	3,731,100	3,331,550
- Interest cost	8,808,662	7,335,837
- Actuarial losses (gains)	3,908,875	2,274,429
- Benefits paid	(4,102,860)	(4,359,496)
Balance at the end of the year	117,767,984	105,422,207

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Notes to the Financial Statements

Figures in Rand	2014	2013
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17. Employee benefit obligations (continued)

The table below summarises the accrued liabilities and the plan assets for the current period and the previous four periods (R millions).

Liability History	30 June 2010	30 June 2011	30 June 2012	30 June 2013	30 June 2014
Accrued liability	71.495	82.990	96.840	105.422	117.768
Fair value of plan asset	-	-	-	-	-
Surplus / (Deficit)	(71.495)	(82.990)	(96.840)	(105.422)	(117.768)

The table below summarises the experience adjustments for the current period and the previous four periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred (R millions).

Experience adjustments	30 June 2010	30 June 2011	30 June 2012	30 June 2013	30 June 2014
Liabilities: (Gain) / Loss	(4.021)	(0.829)	2.329	4.342	1.743
Assets: Gain / (Loss)	-	-	-	-	-
	(4.021)	(0.829)	2.329	4.342	1.743

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

Increase		
Effect on the current service cost and interest cost	14,328,100	12,707,300
Effect on the defined benefit obligation	132,096,084	118,129,507
Decrease		
Effect on the current service cost and interest cost	(10,930,900)	(9,046,300)
Effect on the defined benefit obligation	106,837,084	96,375,907

Ex-gratia pension liability

The Ex-gratia pension benefit plan is a defined benefit plan. As at 30 June 2014, 19 pensioners were eligible for payments in terms of this plan.

The Municipality provides pension benefits to all employees that are not members of the Pension or Provident Funds who have completed at least 10 years of service at the Council and have reached the age of 60. The benefit is calculated according to the average annual salary earned during the last year of service multiplied by number of years of service, divided by 60.

The Current-service cost for the year ending 30 June 2015 is estimated to be Rnil (2014: Rnil) whereas the interest cost for the same year is estimated to be R207,953 (2014: R219,405).

Pensioners	19	23
Eligible employees	3	3
	22	26

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Figures in Rand	2014	2013
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17. Employee benefit obligations (continued)

The principal assumptions used for the purposes of the actuarial valuations were as follows:

i) Rate of interest

Discount rate	7.53 %	7.17 %
Net effective discount rate	4.47 %	3.15 %
Pension increase rate	2.93 %	3.90 %

Discount Rate: GRAP 25 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used. Consequently, a discount rate of 7.53% per annum has been used. The corresponding index-linked yield at this term is 1.10%. These rates do not reflect any adjustment for taxation. These rates were deduced from the Johannesburg Stock Exchange (JSE) Zero Coupon bond yield curve after the market close on 30 June 2014.

Expected retirement age - females	62	62
Expected retirement age - males	62	62

ii) Mortality rates

Pre-retirement	SA 85 - 90 mortality table
Post-retirement	PA (90 - 1) ultimate mortality table

iii) Normal retirement age

The normal retirement age for employees of the municipality was assumed to be 65 years where data was unavailable.

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	3,057,369	3,187,340
Fair value of plan assets	-	-
	3,057,369	3,187,340
Unrecognised past-service cost	-	-
Unrecognised actuarial gains / (losses)	-	-
Present value of unfunded obligations	3,057,369	3,187,340
Net Liability	3,057,369	3,187,340

The amount recognised in the Statement of Financial Performance are as follows:

Current service cost	-	-
Interest cost	219,405	251,820
Recognised actuarial losses / (gains)	(88,087)	139,278
Total included in employee related cost (refer to note 27)	131,318	391,098

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Figures in Rand	2014	2013
17. Employee benefit obligations (continued)		
The movement in the defined benefit obligation over the year is as follows:		
Balance at the beginning of the year	3,187,340	3,039,160
- Recognised past service cost	-	-
- Current service cost	-	-
- Interest cost	219,405	251,820
- Actuarial losses / (gains)	(88,087)	139,278
- Benefits paid	(261,289)	(242,918)
	3,057,369	3,187,340

The table below summarises the accrued liabilities and the plan assets for the current period and the previous four periods:

Liability History	30 June 2010	30 June 2011	30 June 2012	30 June 2013	30 June 2014
Accrued liability	3,072,634	2,872,263	3,039,160	3,187,340	3,057,369
Fair value of plan assets	-	-	-	-	-
Surplus / (Deficit)	(3,072,634)	(2,872,263)	(3,039,160)	(3,187,340)	(3,057,369)

The table below summarises the experience adjustments for the current period and the previous periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred.

Experience adjustment	30 June 2010	30 June 2011	30 June 2012	30 June 2013	30 June 2014
Liabilities: (Gain) / Loss	500,054	(259,381)	92,031	(2,548)	31,653
Assets: Gain / (Loss)	-	-	-	-	-
	500,054	(259,381)	92,031	(2,548)	31,653

Long service awards

The municipality's obligation for Long Service Awards is a defined benefit plan. This plan is wholly unfunded as no contributions are made by the municipality into funds that are legally separate from the municipality and from which the employee benefits are paid (each subsequent financial year's expected payments of long service bonuses are budgeted for).

The municipality, in substance, underwrites the actuarial and investment risks associated with the plan. Consequently, the expense recognised for the defined benefit plan is the full additional liability accrued due to additional benefit entitlement. The municipality's net obligation in respect of the defined benefit long service allowances is the present value of the defined benefit obligation less the fair value of any plan assets, together with adjustments for unrecognised actuarial gains or losses and past service cost. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows of the benefits that will be paid to employees and using suitable interest rates.

The calculation is performed by registered actuaries using the projected unit credit method. The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2014.

At year end, 992 (2013: 990) employees were eligible for Long-services Allowances. The future service cost for the ensuing year is estimated to be R1,300,024 (2014: R1,238,555), whereas the interest cost for the ensuing year is estimated to be R1,372,305 (2014: R1,152,511).

George Local Municipality
Financial Statements for the year ended 30 June 2014

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17. Employee benefit obligations (continued)

The principal assumptions used for the purposes of the actuarial valuations were as follows:

i) Rate of interest		
Discount rate	8.02 %	7.33 %
Benefit inflation rate	7.16 %	6.80 %
Net effective discount rate	0.80 %	0.51 %
Expected retirement age - females	62	62
Expected retirement age - males	62	62

Discount Rate: GRAP 25 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the liabilities should be used. Consequently, a discount rate of 8.02% per annum has been used. This is derived by using a liability-weighted average of the yields corresponding to the average term until payment of long service awards, for each employee. The corresponding liability-weighted index-linked yield is 1.28%. These rates do not reflect any adjustment for taxation. These rates were deduced from the Johannesburg Stock Exchange (JSE) Zero Coupon bond yield after the market close on 30 June 2014.

ii) Mortality rates

Pre-retirement	SA 85 - 90 mortality table
Post-retirement	PA (90 - 1) ultimate mortality table

iii) Normal retirement age

The normal retirement age for employees of the municipality was assumed to be 65 years where data was unavailable.

The amounts recognised in the Statement of Financial Position are as follows:

Project fund obligations	17,981,565	16,636,020
Plan assets	-	-
	17,981,565	16,636,020
Unrecognised past-service cost	-	-
Unrecognised actuarial gains / (losses)	-	-
Post-Retirement Gratuity Obligation	17,981,565	16,636,020
	17,981,565	16,636,020

Amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	1,238,555	1,635,921
Interest cost	1,152,511	906,140
Recognised actuarial losses / (gains)	832,967	773,145
Total included in employee related cost (refer to note 27)	3,224,033	3,315,206

The movement in the defined benefit obligation over the year is as follows:

Balance at the beginning of the year	16,636,020	14,368,240
- Current service cost	1,238,555	1,635,921
- Interest cost	1,152,511	906,140
- Recognised actuarial losses	832,967	773,145
- Benefits paid	(1,878,488)	(1,047,426)
	17,981,565	16,636,020

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17. Employee benefit obligations (continued)

The table below summarises the accrued liabilities and the plan assets for the current period and the previous four periods:

Liability History	30 June 2010	30 June 2011	30 June 2012	30 June 2013	30 June 2014
Accrued Liability	9,360,413	11,420,234	14,368,240	16,636,020	17,981,565
Fair value of plan assets	-	-	-	-	-
Surplus / (Deficit)	(9,360,413)	(11,420,234)	(14,368,240)	(16,636,020)	(17,981,565)

The table below summarises the experience adjustments for the current and previous four periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred:

Experience adjustment	30 June 2010	30 June 2011	30 June 2012	30 June 2013	30 June 2014
Liabilities: (Gain) / Loss	3,365,217	217,681	827,273	751,311	1,276,184
Assets: Gain / (Loss)	-	-	-	-	-
	3,365,217	217,681	827,273	751,311	1,276,184

Multi-employer retirement benefit information

Employees belong to a variety of approved Pension and Provident Funds as described below. These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

The Cape Joint Pension Fund and Cape is a defined benefit plans, whereas the Joint Retirement Fund, the Municipal Councillors Fund and the Provident Fund are defined contribution plans. All of these afore-mentioned funds are multi-employer plans. Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:

- The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers
- One set of financial statements is compiled for each fund and financial statements are not drafted for each participating employer.
- The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer. The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R19,803,988 represents contributions payable to these plans by the municipality at rates specified in the rules of the plans.

Included in defined contribution plan information above, are the following plans which are a Multi-Employer Funds and are Defined Benefit Plans, but due to the fact that sufficient information are not available to enable the municipality to account for the plans as defined benefit plans, the municipality accounted for these plans as defined contribution plans:

Cape Joint Pension Fund

The Cape Joint Pension Fund's contribution rate payable is 9% by the members and 23.06% by Council. The valuation of 30 June 2013 showed that the funding level is 99.7% and the financial statements indicated that the shortfall will be recovered from local authorities. The shortfall was apportioned between local authorities and requests were issued to them for payment.

Notes to the Financial Statements

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17. Employee benefit obligations (continued)

The pension fund is in a consultation process with the local authorities to restructure the fund from a defined benefit plan to a defined contribution plan. A provision was raised for the municipality's share of the conversion cost. Refer to note 18 for more detail on the provision raised.

Cape Joint Retirement Fund

The contribution rate paid by the members of 9% and Council of 18% is sufficient to fund the benefits accruing from the fund in future. The last valuation performed for the year ended 30 June 2013 revealed that the funding level is 99.7%.

SALA Pension Fund

The contribution rate paid by the members 8.60% and Council 19.18% is sufficient to fund the benefits accruing from the fund in the future.

At the valuation date of 1 July 2013 the SALA Pension Fund was 100% (1 July 2012: 100%) funded and revealed that the fund was certified to be in a sound financial position.

The municipality is involved in a legal claim from SA Local Authorities Pension Fund to the value of R18,538,117 (2013: R15,604,379), resulting from a retrospective employer contribution rate increase. The claim was defended on grounds that the municipality is not liable and the matter is awaiting a trial date. Refer to note 40 for detail.

Municipal Councillors Pension Fund

The actuarial valuator of the Pension Fund for councillors on 30 June 2012 stated that it is in a sound financial position.

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13.75%) and Council (15%) is sufficient to fund the benefits accruing from the fund in the future.

South African Municipal Workers Union Pension Fund

The actuarial valuator of the Pension Fund for members on 30 June 2008 stated that it is in a sound financial position.

The contribution rate paid by the members of 9% and Council of 18% is sufficient to fund the benefits accruing from the fund in the future.

Staff annual bonus

The movement on the annual bonus accrual consist of the following:

Balance at the beginning of the year	6,491,659	6,050,038
Payments	(6,491,659)	(6,050,038)
Additional bonus accrual recognised during the year	7,918,385	6,491,659
	<u>7,918,385</u>	<u>6,491,659</u>

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18. Provisions

Reconciliation of provisions - 2014

	Opening Balance	Additions	Utilised during the year	Recognised as Trade and Other payables	Total
Cape Joint Pension fund	6,030,344	2,173,480	(6,931,007)	(1,272,817)	-
Rehabilitation of landfill site	5,721,707	775,361	-	-	6,497,068
Provision relating to legal claims	1,964,000	-	-	-	1,964,000
Clearing of alien vegetation	1,487,500	770,217	(366,717)	-	1,891,000
Compensation Liability : GIPTN	-	123,973,876	-	-	123,973,876
	15,203,551	127,692,934	(7,297,724)	(1,272,817)	134,325,944

Reconciliation of provisions - 2013

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Cape Joint Pension Fund	9,718,939	-	-	(3,688,595)	6,030,344
Rehabilitation of landfill site	4,922,393	799,314	-	-	5,721,707
Provision relating to legal claims	-	1,964,000	-	-	1,964,000
Clearing of alien vegetation	750,000	908,500	(171,000)	-	1,487,500
	15,391,332	3,671,814	(171,000)	(3,688,595)	15,203,551

Current liabilities consists of

Rehabilitation of landfill site	6,497,068	1,377,809
Provision relating to legal claims	1,964,000	1,964,000
Compensation Liability : GIPTN	94,592,475	-
	103,053,543	3,341,809
Non-current liabilities	31,272,401	11,861,745
Current liabilities	103,053,543	3,341,806
	134,325,944	15,203,551

Cape Joint Pension Fund

Cape Joint Pension Fund was restructured from a defined benefit plan to a defined contribution plan. An additional R2,173,480 was provided for which consists of arrear contributions, a shortfall in conversion costs and interest. R6,931,007 was paid during the financial year and the balance on the amount payable of R1,272,817 was paid during July 2014 and is disclosed as part of Employee benefit obligations (Refer to note 17).

Rehabilitation of landfill site

The consulting engineers, Aurecon South Africa (Pty) Ltd, used a predominantly desktop-based methodology adopted in estimating the airspace consumed in the 2013/2014 financial year as a percentage of the total airspace, was based on assumption on waste generation, waste disposal site size and final design height (at closure).

Rehabilitation cost were estimated using criteria for closure detailed in the Minimum Requirement for Waste Disposal by Landfill, together with a visual inspection of the site during 2012. The rate of escalation was based on the Contract Price Adjustments for Civil Works. The 2013 cost were increased by 4.138% to determine the rehabilitation cost as at 30 June 2014.

Notes to the Financial Statements

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18. Provisions (continued)

Provision is made in terms of the municipality's licensing stipulations on the landfill waste sites, for the estimated cost of rehabilitating the waste sites. The provision has been determined on the basis of a recent independent study. The cost factors derived from the study by Aurecon South Africa (Pty) Ltd have been applied. The landfill sites have reached full capacity and the estimated cost of rehabilitation is determined on the basis that the Municipality start with the consultation process in the 2015 financial year.

The movement on each of the landfill site's provisions is:

	Opening balance	Additions	Total
George	4,343,901	624,843	4,968,744
Uniondale	1,377,806	150,517	1,528,323
	5,721,707	775,360	6,497,067

Provision relating to legal claims

An amount of R1,964,000 was provided for the claim of James and 10 others. A number of individuals drowned after a bridge collapsed due to heavy rains. The possibility to defend the claim successfully is very slim and the final amount of the claim is in the process of being negotiated.

Clearing of alien vegetation

The municipality has an obligation to clear alien vegetation. The provision represents the present cost to clear the alien vegetation. This was based on the current clearing cost of between R10,000 and R16,000 per hectare depending on the location (2013: R11,000 to R15,000 per hectare) and the total size of land of 151 hectares to be cleared.

Compensation Liability: George Integrated Public Transport Network

The George Integrated Public Transport Network (GIPTN) has been developed by the Municipality and the Provincial Government of the Western Cape to transform the road-based public transport sector through the establishment of a high quality, flexible and integrated public transport network.

An operating company was established and current taxi owners who form part of the operating company will operate the buses in the network. The operator agreement has been signed during the year and in terms of this agreement, the taxi owners have to relinquish their existing taxi operators' licences to receive the compensation.

The compensation offer is based on 388 operator's licences of 196 operators that will be relinquished. This calculation was based on the signed agreement of 26 June 2013 between Government and the taxi industry, and the subsequent signing of the individual Participants Commitment and Declaration Agreements during the 2013/2014 financial year. Negotiations are still taking place and the compensation amounts will only be finalised when all the taxi owners have signed their individual operating contracts.

The undiscounted provision for compensation over the five years covered by the compensation agreement is R130,240,018. A discount rate of 6.2% (3 year Government Bond rate) was used to discount the provision.

The Municipality expects to pay the R94,592,476 within the next twelve months when the buses start operating on the network.

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19. Unspent conditional grants and receipts		
Unspent Grants	62,923,610	70,412,147
National Government Grants	11,772,676	17,133,066
Provincial Government Grants	50,950,934	53,079,081
Other	200,000	200,000
Less: Unpaid Grants (Note 4)	(58,404,606)	(29,729,242)
National Government Grants	(36,081,791)	(3,111,668)
Provincial Grants	(21,185,761)	(25,792,508)
Other	(1,137,054)	(825,066)
	4,519,004	40,682,905

The amount of unspent conditional grants and receipts is held in the operating bank account of the municipality until utilised.

Unconditional Grants		
Equitable Share	85,716,000	80,370,000
Conditional Grants		
Grants and Donations	469,720,965	144,793,834
Subsidies	1,652,701	7,352,036
Total Government Grants and Subsidies	557,089,666	232,515,870
Government Grants and Subsidies - Capital	273,073,807	82,904,887
Government Grants and Subsidies - Operating	284,015,859	149,610,983
	557,089,666	232,515,870

The municipality does not expect any significant changes to the level of grants.

Equitable share		
Opening balance	-	-
Grants received	85,716,000	80,370,000
Conditions met - Operating	(85,716,000)	(80,370,000)
Conditions met - Capital	-	-
Conditions still to be met/(Grant expenditure to be recovered)	-	-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

National: Finance Management Grant (FMG)		
Opening balance	-	-
Grants received	1,300,000	1,250,000
Conditions met - Operating	(1,213,171)	(1,206,504)
Conditions met - Capital	-	-
VAT income on grants transferred to Other Income	(86,829)	(43,496)
Conditions still to be met/(Grant expenditure to be recovered)	-	-

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Program (e.g. salary costs of the Financial Management Interns).

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Figures in Rand	2014	2013
19. Unspent conditional grants and receipts (continued)		
National: Municipal Systems Improvement Grant (MSIG)		
Opening balance	-	-
Grants received	890,000	800,000
Transfers	-	-
Conditions met - Operating	(805,999)	(713,685)
VAT income on grants transferred to Other Income	(84,001)	(86,315)
Conditions still to be met/(Grant expenditure to be recovered)	-	-

The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.

National: Infrastructure Skills Development		
Opening balance	260,743	-
Grants received	3,000,000	3,000,000
Conditions met - Operating	(2,418,640)	(1,402,410)
Conditions met - Capital	(336,804)	(1,106,473)
VAT income on grants transferred to Other Income	(122,987)	(230,374)
Conditions still to be met/(Grant expenditure to be recovered)	382,312	260,743

The Infrastructure Skills Development Grant is given to strengthen the capacity of local government to effectively and efficiently deliver quality infrastructure, by increasing the pool of skills available and to facilitate lifelong learning and the transfer of knowledge to municipalities.

National: Municipal Infrastructure Grant (MIG)		
Opening balance	-	(1,558,545)
Grants received	33,094,000	44,044,000
Conditions met - Operating	(1,680,707)	(2,202,200)
Conditions met - Capital	(27,649,301)	(35,297,467)
VAT income on grants transferred to Other Income	(3,763,992)	(4,985,788)
Conditions still to be met/(Grant expenditure to be recovered)	-	-

The grant was used to construct roads and storm water infrastructure, with the main focus on the historically disadvantaged areas.

National: Regional Bulk Infrastructure Grant (RBIG)		
Opening balance	11,390,364	11,390,364
Grants received	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
VAT income on grants transferred to Other Income	-	-
Conditions still to be met/(Grant expenditure to be recovered)	11,390,364	11,390,364

The grant was allocated to the municipality to construct bulk infrastructure for water and waste water. The remainder of this grant is specifically for raising the dam wall of the Garden Route dam. An application was submitted to the Department of Water Affairs and the environmental impact study was completed. Work will proceed once the licence is issued by the Department of Water Affairs.

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Figures in Rand	2014	2013
19. Unspent conditional grants and receipts (continued)		
National: Integrated National Electrification Grant		
Opening balance	4,468,474	(1,079,399)
Grants received	5,000,000	8,400,000
Conditions met - Operating	-	-
Conditions met - Capital	(8,336,800)	(2,628,322)
VAT income on grants transferred to Other Income	(1,131,674)	(223,805)
Conditions still to be met/(Grant expenditure to be recovered)	-	4,468,474
The National Electrification Grant was used to upgrade the sub-station and electrification network.		
National: Electricity Demand Side Management Grant		
Opening balance	(3,111,668)	(3,111,668)
Grants received	4,999,700	-
Conditions met - Operating	(1,675,861)	-
Conditions met - Capital	-	-
VAT income on grants transferred to Other Income	(212,171)	-
Conditions still to be met/(Grant expenditure to be recovered)	-	(3,111,668)
The National Electrification Grant was used during the previous year to implement the Electricity Demand Side Management (EDSM) program by providing capital subsidies to licensed distributors to address EDSM in residential dwellings, communities and commercial buildings in order to mitigate the risk of load shedding and supply interruptions.		
National: Expanded Public Works Program Grant (EPWP) Pointduty		
Opening balance	-	-
Grants received	360,880	216,905
Conditions met - Operating	(360,880)	(216,905)
Conditions met - Capital	-	-
Conditions still to be met/(Grant expenditure to be recovered)	-	-
The Expanded Public Works Program Grant was used to increase labour employment through infrastructure programs that increase jobs creation and skills development. This additional grant was given specifically to create 40 additional work opportunities.		
National: Expanded Public Works Program Grant (EPWP)		
Opening balance	-	617,474
Grants received	3,285,000	3,373,000
Conditions met - Operating	(3,269,924)	(2,793,599)
Conditions met - Capital	-	(920,526)
VAT income on grants transferred to Other Income	(15,076)	(276,349)
Conditions still to be met/(Grant expenditure to be recovered)	-	-
The Expanded Public Works Program Grant was used to increase labour employment through infrastructure programs that increase jobs creation and skills development.		
National: Lawaaiikamp Sports Grounds (Lotto)		
Opening balance	337,223	-
Grants received	-	1,000,000
Conditions met - Operating	-	-
Conditions met - Capital	(599,370)	(662,777)
Conditions still to be met/(Grant expenditure to be recovered)	(262,147)	337,223

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19. Unspent conditional grants and receipts (continued)

The National Lottery has given this grant to the municipality specifically for the upgrading of the Lawaai Kamp Sports Grounds.

National: Public Transport Network Operations Grant (PTNOG)

Opening balance	-	-
Grants received	89,389,000	-
Conditions met - Operating	(123,973,876)	-
Conditions met - Capital	-	-
Conditions still to be met/(Grant expenditure to be recovered)	(34,584,876)	-

This grant's purpose is to provide supplementary operational funding to municipalities operating approved Integrated Public Transport Network services and to provide improved public transport network services that are formal, scheduled and well managed.

National: Public Transport Infrastructure Grant (PTIG)

Opening balance	-	-
Grants received	175,630,000	-
Conditions met - Operating	-	-
Conditions met - Capital	(176,864,768)	-
Conditions still to be met/(Grant expenditure to be recovered)	(1,234,768)	-

This grant's purpose is to provide funding for accelerated planning, construction and improvement of public and non-motorised transport infrastructure.

Provincial: Mobility Strategy Grant

Opening balance	-	1,880,873
Grants received	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	(1,649,889)
VAT income on grants transferred to Other Income	-	(230,984)
Conditions still to be met/(Grant expenditure to be recovered)	-	-

The Mobility Strategy Grant was used for plans, facilities, roads and operational systems that will assist with the movement of people in the public transport system, including provision for persons with special needs.

Provincial: Western Cape Financial Management Support Grant

Opening balance	-	160,843
Grants received	400,000	200,000
Conditions met - Operating	(154,811)	(329,878)
Conditions met - Capital	-	-
VAT income on grants transferred to Other Income	(21,673)	(30,965)
Conditions still to be met/(Grant expenditure to be recovered)	223,516	-

The Financial Management Support Grant is given by the Western Cape Provincial Treasury to provide financial assistance to municipalities to improve overall financial governance within municipalities inclusive of optimising and administration of revenue, improving credibility and responsiveness of municipal budgets, improving of municipal audit outcomes and addressing institutional challenges.

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19. Unspent conditional grants and receipts (continued)		
Provincial: Western Cape Management Support Grant (Good Governance)		
Grants received	1,100,000	-
Conditions met - Operating	(709,683)	-
VAT income on grants transferred to Other Income	(99,357)	-
Conditions still to be met/(Grant expenditure to be recovered)	290,960	-

This grant is given to provide financial assistance to Municipalities to improve overall governance systems and structures.

Provincial: Integrated Public Transport Network Operations		
Opening balance	18,080,492	9,000,000
Grants received	5,000,000	10,000,000
Conditions met - Operating	(2,708,378)	(919,508)
Conditions met - Capital	-	-
Conditions still to be met/(Grant expenditure to be recovered)	20,372,114	18,080,492

The Integrated Public Transport Network Operations grant's purpose is to provide funding to the Municipality for operational expenses in the implementation of a public transport service.

Provincial: Integrated Public Transport Network Infrastructure		
Opening balance	32,073	7,000,000
Grants received	17,500,000	1,500,000
Conditions met - Operating	-	-
Conditions met - Capital	(15,074,668)	(8,467,927)
Conditions still to be met/(Grant expenditure to be recovered)	2,457,405	32,073

The Integrated Public Transport Network Infrastructure grant's purpose is to provide funding to the Municipality for infrastructure improvements in the implementation of a public transport service.

Provincial: Integrated Transport Planning Grant		
Opening balance	-	-
Grants received	396,000	396,000
Conditions met - Operating	(348,367)	(347,368)
Conditions met - Capital	-	-
VAT income on grants transferred to Other Income	(47,633)	(48,632)
Conditions still to be met/(Grant expenditure to be recovered)	-	-

This grant is given for the review and update municipal Integrated Transport Plans in terms of the National Land Transport Act, 2009 (Act No. 5 of 2009).

Provincial: Accelerated Housing Programme: Bulk Services		
Opening balance	1,912,015	-
Grants received	7,500,000	20,500,000
Conditions met - Operating	-	-
Conditions met - Capital	(4,002,265)	(18,587,985)
Conditions still to be met/(Grant expenditure to be recovered)	5,409,750	1,912,015

This grant is given to fund housing within municipalities that demonstrated capacity to plan and deliver housing rapidly, with emphasis on rural areas. The utilisation of this grant will improvement in the quality of human settlements by funding projects, which will address dysfunctionalities in such settlements.

George Local Municipality
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Notes to the Financial Statements

Figures in Rand	2014	2013
19. Unspent conditional grants and receipts (continued)		
Provincial: Human Settlements Operating Grants		
Opening balance	(5,884,241)	(4,553,218)
Grants received	17,265,844	37,893,370
Transfers	-	(3,400)
Conditions met - Operating	(15,935,559)	(39,220,993)
Conditions still to be met/(Grant expenditure to be recovered)	(4,553,956)	(5,884,241)

This grant is given to provide funding for the creation of sustainable human settlements. The outcome of this grant is to provide top structures and basic social and economic amenities that contribute to the establishment of sustainable human settlements.

Provincial: Human Settlements Capital Grant		
Opening balance	-	-
Grants received	35,780,381	11,354,581
Conditions met - Operating	-	-
Conditions met - Capital	(35,780,381)	(11,354,581)
Conditions still to be met/(Grant expenditure to be recovered)	-	-

This grant is given to provide funding for the creation of sustainable human settlements. The outcome of this grant is to provide basic infrastructure that contribute to the establishment of sustainable human settlements.

Provincial: N2/York Bridge		
Opening balance	14,383,890	-
Grants received	10,000,000	17,600,000
Conditions met - Operating	(14,736,168)	(3,216,110)
Conditions met - Capital	-	-
Conditions still to be met/(Grant expenditure to be recovered)	9,647,722	14,383,890

This grant will be used to widen the N2/ York Street bridge and to add a pedestrian crossing to the bridge.

Provincial: Proclaimed Roads		
Opening balance	(1,181,009)	-
Grants received	4,528,645	5,814,800
Conditions met - Operating	(3,347,636)	(6,995,809)
Conditions met - Capital	-	-
Conditions still to be met/(Grant expenditure to be recovered)	-	(1,181,009)

This grant is given by Provincial Treasury for the maintenance of provincial roads.

Provincial: Thembaletu & Pacaltsdorp sport fields (YDVS)		
Opening balance	(1,629,112)	-
Grants received	1,465,907	449,465
Conditions met - Operating	-	-
Conditions met - Capital	(4,038,066)	(2,078,577)
Conditions still to be met/(Grant expenditure to be recovered)	(4,201,271)	(1,629,112)

This grant will be used to upgrade the Thembaletu and Pacaltsdorp sport fields.

George Local Municipality
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Notes to the Financial Statements

Figures in Rand	2014	2013
19. Unspent conditional grants and receipts (continued)		
Provincial: Haarlem Public Transport Infrastructure		
Opening balance	1,879,600	-
Grants received	-	2,000,000
Conditions met - Operating	(1,879,600)	(120,400)
Conditions met - Capital	-	-
VAT income on grants transferred to Other Income	-	-
Conditions still to be met/(Grant expenditure to be recovered)	-	1,879,600

This grant was given to the municipality by Provincial Treasury for the construction of pedestrian walkways along Berg Street in Haarlem.

Provincial: Library Services		
Opening balance	166,721	188,229
Grants received	1,602,000	1,363,800
Conditions met - Operating	(1,387,357)	(1,216,854)
Conditions met - Capital	(381,364)	(150,363)
VAT income on grants transferred to Other Income	-	(18,091)
Conditions still to be met/(Grant expenditure to be recovered)	-	166,721

This grant is to be used for the transformation of urban and rural community library infrastructure, facilities and services (primarily targeting previously disadvantaged communities) through a recapitalised programme at provincial level in support of local government and national initiatives.

Provincial: Community Development Workers' Operational Grant		
Opening balance	171,771	84,009
Grants received	98,400	162,000
Conditions met - Operating	(141,219)	(71,684)
Conditions met - Capital	(10,021)	-
VAT income on grants transferred to Other Income	-	(2,554)
Conditions still to be met/(Grant expenditure to be recovered)	118,931	171,771

This grant is for financial assistance to Municipalities to cover the operational expenses i.r.o the functions of the community development workers including the supervisors and regional organisers.

Provincial: Greenest Town Competition		
Opening balance	30,634	94,696
Grants received	-	-
Conditions met - Operating	(30,634)	(64,062)
Conditions met - Capital	-	-
Conditions still to be met/(Grant expenditure to be recovered)	-	30,634

This grant is for the implementation and enhancement programmes to interact with stakeholders and empower communities to partner with government in implementing environmental and socio-economic programmes.

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Notes to the Financial Statements

Figures in Rand	2014	2013
19. Unspent conditional grants and receipts (continued)		
Provincial: Thembaletu Thusong Service Centre		
Opening balance	-	-
Grants received	-	109,000
Conditions met - Operating	-	(109,000)
Conditions met - Capital	-	-
Conditions still to be met/(Grant expenditure to be recovered)	-	-

This grant is given to provide financial assistance to Municipalities, ensuring the financial sustainability of the Thusong Service Centres.

Other: Eden District Municipality Electrification Grant		
Opening balance	200,000	402,116
Grants received	-	-
Conditions met - Operating	-	(202,116)
Conditions met - Capital	-	-
Conditions still to be met/(Grant expenditure to be recovered)	200,000	200,000

The Eden District Municipality grant was given for electrification of certain areas.

Other: Eden District Municipality Emergency Relief Funds		
Opening balance	-	-
Grants received	1,448,480	-
Conditions met - Operating	(1,448,480)	-
Conditions met - Capital	-	-
Conditions still to be met/(Grant expenditure to be recovered)	-	-

This grant was given to reimburse municipalities for flood damage incurred in the 2011/2012 financial years.

Other: SANRAL N2 /York Bridge		
Opening balance	(423,419)	-
Grants received	17,706,576	3,596,719
Conditions met - Operating	(18,420,210)	(4,020,138)
Conditions met - Capital	-	-
Conditions still to be met/(Grant expenditure to be recovered)	(1,137,053)	(423,419)

This grant will be used to widen the N2/York Street bridge and to add a pedestrian crossing to the bridge.

Other: Department of Water Affairs		
Opening balance	(401,646)	(503,810)
Grants received	1,440,131	3,231,946
Transfers	-	(420,579)
Conditions met - Operating	(1,038,485)	(2,709,203)
Conditions met - Capital	-	-
Conditions still to be met/(Grant expenditure to be recovered)	-	(401,646)

These amounts were given by the Department of Water Affairs for the Working with Water project.

George Local Municipality
Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
19. Unspent conditional grants and receipts (continued)		
Other: LG Seta		
Opening balance	-	-
Grants received	614,216	1,083,034
Conditions met - Operating	(614,216)	(1,083,034)
Conditions met - Capital	-	-
Conditions still to be met/(Grant expenditure to be recovered)	-	-

These amounts were received from LG Seta based on the Municipality's workplace skills plan.

Other grants		
Opening balance	-	79,524
Conditions met - Operating	-	(79,524)
Conditions met - Capital	-	-
Conditions still to be met/(Grant expenditure to be recovered)	-	-

Total Grants		
Opening balance	40,682,905	20,091,488
Grants received	526,511,160	259,708,620
Transfers	-	(423,979)
Conditions met - Operating	(284,015,861)	(149,610,984)
Conditions met - Capital	(273,073,807)	(82,904,887)
VAT income on grants transferred to Other Income	(5,585,393)	(6,177,353)
Conditions still to be met/(Grant expenditure to be recovered)	4,519,004	40,682,905

The prior period balances were restated for prior period error adjustments. Refer to note 42.8 for more detail.

20. Housing development fund

Unappropriated surplus	16,101,235	23,946,875
Loans extinguished by Government on 1 April 1998	53,383,243	53,383,243
	69,484,478	77,330,118

The housing development fund is represented by the following assets and liabilities

Housing selling scheme loans	1,407,039	1,694,412
Inventory	230,009	279,127
Trade and other receivables from exchange transactions	1,240,794	1,221,666
Trade and other receivables from non-exchange transactions (non-cash)	3,136,567	2,819,204
Bank and cash	63,470,069	71,315,709
Total Housing Development Fund Assets and Liabilities	69,484,478	77,330,118

George Local Municipality
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Figures in Rand	2014	2013
21. Service charges		
Electricity	445,931,709	422,009,386
Water	91,034,667	85,157,708
Sewerage and sanitation charges	63,811,392	54,624,960
Refuse removal	40,432,083	37,420,439
Other	375,478	346,937
	641,585,329	599,559,430

The amounts disclosed above for revenue from service charges are in respect of services rendered which are billed to the consumers on a monthly basis according to the approved tariffs.

The prior period balances were restated for prior period error adjustments. Refer to note 42.10 for more detail.

22. Other income

Application fees for second dwelling	275,304	-
Building plan fees and related income	3,646,602	2,132,768
Contributions received for capital projects	5,083,379	5,861,905
Public contributions for donated asset additions (Refer to note 48)	15,847,777	749,384
Sundry income	11,258,161	8,175,340
VAT income from grants	5,585,393	6,177,353
	41,696,616	23,096,750

The amounts disclosed above for Other Income are in respect of services rendered, other than described in notes 21, 24 and 25 which are billed to or paid for by the users of the services are required according to approved tariffs.

The prior period balances were restated for reclassification adjustments. Refer to note 42.1 for detail.

23. Investment revenue

Interest revenue

Interest income on loans and receivables

Art. 185(a) arrangements	52,997	70,219
Land sales	11,304	10,725
Outstanding trade receivables	3,692,316	3,320,744
Selling schemes	171,597	236,347
Victoria Bay loans	3,680	5,961

External investments

Interest income on bank deposits	17,913,153	9,946,095
Interest income on short term investments	4,472,439	4,667,146
	26,317,486	18,257,237

The prior period balances were restated for prior period error adjustments. Refer to note 42.8 for more detail.

George Local Municipality
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Notes to the Financial Statements

Figures in Rand	2014	2013
24. Property rates		
Rates received		
Commercial	33,538,064	33,054,011
Housing Schemes	42,699	39,110
Industrial	10,291,623	9,676,631
Other (Flat rate)	56,910	53,597
Residential	146,897,519	137,052,468
State (Domestic)	435,455	364,317
State (Erven and schools - business tariff)	7,317,080	5,970,240
Less: Impermissible rates	(4,064,157)	(5,241,707)
Less: Income forgone	(40,504,422)	(37,530,219)
	<u>154,010,771</u>	<u>143,438,448</u>
Property rates - penalties imposed	<u>3,759,202</u>	<u>3,845,224</u>
	<u>157,769,973</u>	<u>147,283,672</u>
Valuations		
Commercial	5,157,321,790	5,489,787,700
Industrial	1,582,596,200	1,607,146,800
Municipal (non-taxable valuations)	1,150,784,050	1,194,078,000
Residential	27,133,960,550	27,317,405,200
State (Domestic)	80,416,500	72,660,000
State (Erven and schools)	1,125,185,300	991,569,600
	<u>36,230,264,390</u>	<u>36,672,647,300</u>

Assessment rates are levied on the total value of property of which the valuation must be performed every four years in terms of the Municipal Property Rates Act. Interim valuations are processed on an annual basis to take into account changes in individual property value due to alterations, consolidations and subdivisions.

Uniform rates of 0,5415 (2013: 0,5014) cent in the Rand on total valuations were applied to determine assessment rates. Business tariffs are levied at 0,6503 (2013: 0,6021) for Commercial, Industrial, State Erven and Schools, and this were applicable for all Areas.

A rebate of 20% (2013: 20%) was allowed on residential properties, excluding residential properties in the rural areas, whilst rebates of 10% - 20% (2013: 10% - 20%) were applied to pensioners, based on the annual income of the ratepayer. A rebate of 75% (2013: 75%) was allowed on residential properties for rural areas. A discount of 20% was granted to the State.

Rates are levied annually on property owners and are payable by 30 September. Owners are allowed to pay the annual assessment in 12 monthly instalments, which are payable on the 15th of each month. Interest is levied at the prime rate plus 1% on outstanding rates amounts.

The current General Valuation came into effect on 1 July 2012.

George Local Municipality
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Notes to the Financial Statements

Figures in Rand	2014	2013
25. Government grants and subsidies		
Operating grants		
Equitable share	85,716,000	80,370,000
National: Finance Management Grant (FMG)	1,213,171	1,206,504
National: Municipal Systems Improvements Grant (MSIG)	805,999	713,685
National: Infrastructure Skills Development	2,418,640	1,402,410
National: Municipal Infrastructure Grant (MIG)	1,680,707	2,202,200
National: Electricity Demand Side Management Grant	1,675,861	-
National: Expanded Public Works Program Grant (EPWP) Pointduty	360,880	216,905
National: Expanded Public Works Program Grant (EPWP)	3,269,924	2,793,599
National: Public Transport Operations Grant	123,973,876	-
Provincial: Financial Management Support Grant	154,811	329,878
Provincial: Management Support Grant (Governance support)	709,683	-
Provincial: Integrated Public Transport Network	2,708,378	919,508
Provincial: Integrated Transport Planning Grant	348,367	347,368
Provincial: Human Settlements Operating Grant	15,935,560	39,220,991
Provincial: N2/York Bridge	14,736,168	3,216,110
Provincial: Proclaimed Roads	3,347,636	6,995,809
Provincial: Harlem Public Transport Infrastructure	1,879,600	120,400
Provincial: Library Grant	1,387,357	1,216,855
Provincial: Community Development Workers Operational Grant	141,219	71,683
Provincial: Cleanest / Greenest Town	30,634	64,062
Provincial: Thembaletu Thusong Service Centre	-	109,000
District: Eden District Municipality Grants	1,448,480	202,116
Other: Sanral N2/York Street Bridge	18,420,210	4,020,138
Other: Department of Water Affairs	1,038,485	2,709,203
Other: LG Seta	614,216	1,083,034
Provincial: Other provincial grants	-	79,525
	284,015,862	149,610,983
Capital grants		
National: Infrastructure Skills Development	336,804	1,106,473
National: Municipal Infrastructure Grant (MIG)	27,649,301	35,297,467
National: Integrated National Electrification Grant	8,336,800	2,628,322
National: Expanded Public Works Program Grant (EPWP)	-	920,526
National: Lawaakamp Sports Grounds (Lotto)	599,370	662,777
National: Public Transport Infrastructure Grant	176,864,768	-
Provincial: Mobility Strategy Grant	-	1,649,889
Provincial: Integrated Public Transport Network	15,074,668	8,467,927
Provincial: Accelerated Housing Programme: Bulk Services	4,002,265	18,588,005
Provincial: Human Settlements Capital Grant	35,780,381	11,354,581
Provincial: Thembaletu & Pacaltsdorp sport fields (YDVS)	4,038,066	2,078,557
Provincial: Library Grant	381,363	150,363
Provincial: Community Development Workers Operational Grant	10,021	-
	273,073,807	82,904,887
	557,089,669	232,515,870

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Notes to the Financial Statements

Figures in Rand	2014	2013
25. Government grants and subsidies (continued)		
Revenue recognised per vote as required by Section 123 (c) of the MFMA:		
Office of the Municipal Manager	513,345	368,073
Corporate Services	3,346,669	2,429,174
Community Services	38,050,153	32,980,488
Human Settlements, Land Affairs & Planning	16,770,665	39,941,927
Civil Engineering Services	473,750,350	135,220,506
Electrotechnical Services	21,673,693	13,525,111
Financial Services	2,984,794	8,050,591
	557,089,669	232,515,870

26. Fines

Building plan penalties	250,895	791,268
Traffic fines	60,479,600	18,958,764
Other fines	235,968	318,888
	60,966,463	20,068,920

The prior period balances were restated for prior period error adjustments. Refer to note 42.7 for more detail.

27. Employee related costs

Basic	194,204,352	169,716,188
Housing benefits and allowances	1,135,271	1,254,765
Long-service awards	1,708,317	1,348,139
Medical aid - company contributions	12,476,862	10,538,547
Other payroll levies	2,762,775	3,345,879
Overtime payments	23,939,458	18,143,491
Employee benefit obligations	19,803,988	16,648,120
- Current service cost	4,969,655	4,967,471
- Interest cost	10,180,578	8,493,797
- Actuarial losses recognised	4,653,755	3,186,852
Travel, motor car, accommodation, subsistence and other allowances	18,716,302	16,030,355
UIF	1,578,260	1,425,806
Pension	28,795,462	24,207,120
WCA	1,695,616	2,470,899
Acting allowances	353,236	224,776
SDL	2,576,867	2,291,988
Ad hoc trips	1,082,479	809,644
Subsistence and Travelling Allowance	1,010,070	876,916
	311,839,315	269,332,633

A reclassification of expenses was made from General expenses to Employee related cost. Refer to note 42.2 for more detail. The prior period balances was adjusted for a prior year error. Refer to note 42.15 for detail.

Remuneration of Municipal Manager

Annual Remuneration	1,665,720	1,449,769
Performance Bonus	-	123,774
Contributions to UIF, Medical and Pension Funds	16,757	5,336
Acting expenses	-	3,070
	1,682,477	1,581,949

George Local Municipality
Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
27. Employee related costs (continued)		
Remuneration of Director Financial Services		
Annual Remuneration	1,150,193	886,591
Car Allowance	60,000	40,000
Ex Gratia Payment	-	57,593
Contributions to UIF, Medical and Pension Funds	230,367	145,122
Acting expenses	47,177	25,044
	1,487,737	1,154,350
Remuneration of Director Corporate Services		
Annual Remuneration	955,634	935,198
Car Allowance	148,140	37,035
Bonus	70,513	-
Ex Gratia payment	-	48,619
Contributions to UIF, Medical and Pension Funds	188,133	47,222
	1,362,420	1,068,074
Remuneration of Director Human Settlement, Land Affairs & Planning		
Annual Remuneration	1,027,735	879,012
Car Allowance	96,000	96,000
Performance Bonus	-	157,845
Contributions to UIF, Medical and Pension Funds	244,885	213,946
Acting expenses	9,390	6,822
	1,378,010	1,353,625
Remuneration of Director Community Services (until 31/07/2013)		
Annual Remuneration	368,230	849,638
Car Allowance	48,511	139,200
Performance Bonus	-	167,234
Contributions to UIF, Medical and Pension Funds	56,500	200,120
Ex Gratia payment	-	111,369
Acting expenses	274,539	163,629
	747,780	1,631,190
Remuneration of Director Civil Engineering Services		
Annual Remuneration	1,216,044	1,037,903
Car Allowance	132,000	132,000
Performance Bonuses	-	159,435
Contributions to UIF, Medical and Pension Funds	20,577	19,182
Acting expenses	12,763	-
	1,381,384	1,348,520

George Local Municipality
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Notes to the Financial Statements

Figures in Rand	2014	2013
27. Employee related costs (continued)		
Remuneration of Director Electro- Technical Services		
Annual Remuneration	1,194,910	945,514
Car Allowance	144,000	144,000
Performance Bonuses	-	150,310
Contributions to UIF, Medical and Pension Funds	29,710	81,653
Acting expenses	9,368	26,211
	1,377,988	1,347,688

28. Remuneration of councillors

Executive Mayor	422,966	413,807
Deputy Executive Mayor	367,200	349,715
Speaker	416,451	402,172
Chief Whip	344,251	327,858
Mayoral Committee Members	3,220,149	3,030,893
Councillors	5,294,121	5,009,998
Councillors' pension contribution	734,286	763,530
Car allowance	3,534,003	3,393,208
Cellphone allowance	1,019,617	695,688
Councillors' contribution to medical aid	214,695	160,703
	15,567,739	14,547,572

The prior period balances were restated for prior period error adjustments. Refer to note 42.4 for more detail.

Remuneration for the Executive Mayor, Deputy Executive Mayor, Speaker and Chief Whip are:

Executive Mayor

Annual remuneration	422,966	413,807
Car allowance	175,950	167,572
Cellphone allowance	20,868	39,828
Contributions to medical aid and pension funds	104,885	88,908
	724,669	710,115

Deputy Executive Mayor

Annual remuneration	367,200	349,715
Car allowance	140,760	134,057
Cellphone allowance	20,868	19,872
Contributions to medical aid and pension funds	55,080	52,457
	583,908	556,101

Speaker

Annual remuneration	416,451	402,172
Car allowance	140,760	134,057
Cellphone allowance	20,868	19,872
Contributions to medical aid and pension funds	5,829	-
	583,908	556,101

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Notes to the Financial Statements

Figures in Rand	2014	2013
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28. Remuneration of councillors (continued)

Chief Whip

Annual remuneration	344,251	327,858
Car allowance	131,963	125,679
Cellphone allowance	20,868	19,872
Contributions to medical aid and pension funds	51,638	49,179
	548,720	522,588

In-kind benefits

The Councillors occupying the positions of Executive Mayor, Deputy Executive Mayor, Speaker, Chief Whip and Executive Mayor Committee Members of the municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.

The Executive Mayor and Deputy Executive Mayor have use of a Council owned vehicle for official duties.

29. Depreciation and amortisation

Property, plant and equipment	109,401,742	105,445,381
Intangible assets	489,437	597,541
Investment property	161,573	161,573
	110,052,752	106,204,495

The prior period balances was restated with prior year errors. Refer to 42.11, 42.12 and 42.13 for more detail.

30. Impairment of assets

Impairments

Trade receivables from exchange and non-exchange transactions	23,441,729	32,823,301
Trade and other receivables from non-exchange transactions	46,336,564	(805,287)
Other financial assets	(174,098)	(812,185)
	69,604,195	31,205,829

The prior period balances were restated for prior period error adjustments. Refer to note 42.9 for more detail.

31. Finance costs

Loans and borrowings	50,335,823	54,651,215
Finance leases	48,632	-
Provision for rehabilitation of landfill site	775,360	799,314
	51,159,815	55,450,529

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Figures in Rand	2014	2013
32. Repairs and maintenance		
Streets and Stormwater Network	20,207,605	21,346,206
Sewerage Network	16,883,571	14,878,952
Water Network	6,553,588	6,450,478
Vehicles	5,691,291	5,719,307
Electricity Network	4,508,565	4,358,187
Machinery	3,739,405	3,453,842
Buildings & properties	3,227,939	2,335,231
Other	4,247,171	3,580,254
	65,059,135	62,122,457

Software licences was reclassified from repairs and maintenance to general expenses. Refer to note 42.2 for more detail.

33. Bulk purchases

Electricity	287,736,248	276,450,354
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Bulk purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom. No water is purchased.

A reclassification of expenses was made from Bulk purchases to General Expenses. Refer to note 42.2 for more detail.

34. Contracted services

Cemeteries	230,959	676,064
Dumping Site Contractors	4,209,735	4,461,910
Electricity Distribution	14,892,993	14,002,022
Financial Services	2,068,926	1,536,742
Fire Services	851,291	493,421
Housing projects	16,734,784	39,682,867
Human Resources Contractors	822,810	12,651
IT Services Mainframe	1,452,370	312,693
Integrated Transport Services	125,852,997	919,508
Internal Auditors	3,569,788	2,829,951
Other Contractors	1,534,278	1,210,751
Parks and Garden Contractors	3,597,098	2,882,658
Proclaimed Roads	43,245,822	16,610,185
Refuse Removal	2,848,880	2,119,455
Street Cleansing	628,145	666,172
Streets and Stormwater	892,725	1,518,490
Town Planning	242,363	322,356
Traffic Contractors	3,684,343	4,301,618
Water Distribution	597,637	628,207
	227,957,944	95,187,721

Integrated Transport Services increased from the 2013 year with the provision for the compensation that is to be paid to current taxi owners. Refer to note 18 for more detail.

The increase in Proclaimed Roads compared to the 2013 year is for the upgrading of the N2 / York Street bridge.

The grouping of contracted services has been revised to give more detail of services rendered to the municipality. A reclassification of expenses was made from Collection cost to Contracted services. Refer to note 42.2 for more detail.

George Local Municipality
Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
35. Grants and subsidies paid		
Other subsidies		
Bursary Grants	149,349	103,680
Festival	941,939	149,828
Merit Grants and Donations	67,850	108,350
SPCA - Small Animal Pound	1,209,129	1,158,219
	2,368,267	1,520,077

The Bursary grants are in respect of providing bursaries for further tertiary education.

Donations were given to festival help by the local community and were considered upon application by the organisers.

Merit Grants and Donations are given to schools and non-profit organisations in the community.

SPCA Grant is available on application after consulting with the Municipal Manager on the merit of such an application.

36. General expenses

Advertising	1,152,740	918,102
Auditors remuneration	2,925,837	3,519,715
Bank charges	1,467,771	1,486,989
Chemicals and Cleaning Materials	13,561,558	10,115,444
Clearing of alien vegetation	770,217	908,500
Consulting and professional fees	532,073	199,846
Easy Pay Cost	901,388	979,121
Energy management	1,678,195	-
Flood damage	-	4,255
General and additional valuations	1,454,461	1,898,693
IT Expenses	252,369	226,753
Insurance	2,012,963	1,693,455
Laboratory services	582,857	585,583
Lease rentals on operating lease	1,669,811	1,743,126
Legal fees	2,056,770	3,359,198
Loss with theft	-	68,662
Membership fees	2,937,496	2,317,256
Motor vehicle expenses	9,743,726	7,622,660
Net Realisable Value written-down for inventory (Note 2)	1,307,966	157,685
Occupational safety	326,330	337,391
Other general expenses	10,986,650	8,820,398
Planning cost	1,753,926	1,632,962
Postage	1,792,707	1,728,113
Printing and stationery	1,899,512	1,646,279
Project maintenance costs	18,808,533	10,279,571
Provision for legal dispute	-	1,964,000
Refuse	9,115,914	8,481,854
Security	5,078,216	4,582,535
Software licences	1,896,591	1,602,447
Telephone and fax	1,373,683	1,320,528
Training	441,326	343,314
Travel - local	782,100	602,925
Uniforms	1,211,232	947,659
	100,474,918	82,095,019

George Local Municipality
Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
36. General expenses (continued)		
A reclassification of expenses was made from General expenses to Employee related cost and from Bulk purchases to General expenses. Refer to note 42.2 for more detail.		
The prior period balances were restated for prior period error adjustments. Refer to note 42.6 for more detail.		
37. Cash generated from operations		
Surplus	251,465,846	54,383,634
Adjustments for:		
Depreciation and amortisation	110,052,752	106,204,495
Gain (loss) on sale of assets and liabilities	99,085	(18,477)
Donated asset receipts included in other income	(15,847,777)	(749,384)
Net realisable value adjustment of inventory	1,307,966	157,685
Finance costs - Finance leases	48,632	-
Impairment deficit	69,604,195	31,205,829
Movements in operating lease assets and accruals	(4,539)	(1,098)
Movements in bonus provision	1,426,726	441,621
Movements in provisions	126,420,117	(16,781)
Provisions utilised during the year	(7,297,724)	(171,000)
Bridging finance of Housing Development Fund included in Other Income	(1,039,541)	-
Movement in Employee benefit asset and liabilities - Medical Aid, Pension and Long Service Awards	19,803,988	16,648,120
Movement in Employee benefit asset and liabilities - Cape Joint Pension Fund	1,272,817	-
Movement in Employee benefit asset and liabilities - Staff leave	1,502,180	3,400,481
Movement in Employee benefit asset and liabilities - Performance bonuses	-	(461,829)
Benefits paid regarding employee benefits	(6,242,637)	(5,649,840)
Unspent conditional grants received	526,511,160	259,708,618
Payments from unspent conditional grants	(557,089,667)	(232,516,068)
Non-cash movements on unspent conditional grants	(5,585,393)	(6,601,134)
Changes in working capital:		
(Increase) / Decrease in Inventories	7,667,378	1,224,488
Receivables from exchange transactions	(21,808,228)	(36,122,742)
(Increase) / Decrease in Receivables from non-exchange transactions	(36,982,303)	(15,662,719)
(Increase) / Decrease in Prepayments	(2,913,100)	-
Increase / (Decrease) in Trade and other payables from exchange transactions	15,236,682	14,614,454
(Increase) / Decrease in VAT	(2,715,742)	2,006,525
Increase / (Decrease) in Consumer deposits	2,204,740	1,764,325
	477,097,613	193,789,203

George Local Municipality
Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
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38. Commitments

Authorised capital expenditure

Approved and contracted for

• Infrastructure	121,474,615	47,190,051
• Community	4,444,921	1,800,175
• Other	1,900,000	1,500,000
	127,819,536	50,490,226

These expenses will be financed from:

• Capital replacement reserve	16,200,000	2,000,000
• Government grants	107,869,536	48,490,226
• External loans	3,750,000	-
	127,819,536	50,490,226

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	332,932	511,671
- in second to fifth year inclusive	143,144	476,076
	476,076	987,747

The total operating lease liability (refer to note 15) - 4,539

Operating leases relate to property, plant and equipment with lease terms not longer than 5 years with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the municipality exercises its option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

39. Financial instruments disclosure

Categories of financial instruments

2014

Financial assets

Loans and Receivables

Housing Scheme Loans	654,356	654,356
Sale of Erven Loans	163,228	163,228
Loans to Other Organisations	240,141	240,141
Actaris Meter Debt	259,644	259,644

Trade receivables from exchange transactions

Service Debtors	60,710,230	60,710,230
Housing Rentals	38,560	38,560
Housing Loan Instalments	241,358	241,358
Other Debtors	9,154,901	9,154,901

Other receivables from non-exchange transactions

Rates	16,134,898	16,134,898
Sundry and other receivables	23,662,465	23,662,465
Cash and cash equivalents	387,194,924	387,194,924

498,454,705	498,454,705
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Notes to the Financial Statements

38. Financial instruments disclosure (continued)

Financial liabilities

	At amortised cost	Total
Loans and Borrowings		
Annuity Loans	448,465,183	448,465,183
Other Loans	1,605,272	1,605,272
Consumer Deposits		
Electricity and water	19,902,234	19,902,234
Payables		
Trade payables	95,515,017	95,515,017
	565,487,706	565,487,706

2013

Financial assets

	At amortised cost	Total
Loans and Receivables		
Housing Scheme Loans	767,631	767,631
Sale of Erven Loans	159,382	159,382
Loans to Other Organisations	356,797	356,797
Actaris Meter Debt	184,276	184,276
Trade receivables from exchange transactions		
Service Debtor	66,018,673	66,018,673
Housing Rentals	25,977	25,977
Housing Loan Instalments	64,875	64,875
Other Debtors	5,669,026	5,669,026
Other receivables from non-exchange transactions		
Rates	23,747,225	23,747,225
Sundry and other receivables	10,146,215	10,146,215
Cash and cash equivalents	266,877,126	266,877,126
	374,017,203	374,017,203

Financial liabilities

	At amortised cost	Total
Loans and Borrowings		
Annuity loans	484,455,446	484,455,446
Other loans	2,578,119	2,578,119
Consumer Deposits		
Electricity and Water	17,697,494	17,697,494
Payables		
Trade payables	82,182,158	82,182,158
	586,913,217	586,913,217

George Local Municipality
Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
40. Contingencies		
Contingent liabilities		
Compensation for damages		
Panasonic Business Systems Southern Cape	85,551	85,511
Golden Rewards 1357CC	294,274	294,274
Lagoon Beach Development (third party claim)	8,700,000	8,700,000
SA Local Authorities Pension Fund	18,538,117	15,604,379
JE & JA Maree	108,000	108,000
PA Gerber	-	600,000
MP Adendorf	-	5,000,000
MC Chimes	-	61,272
Rondevlei Community Association & Others	6,400,000	-
J Barnard	465,000	-
	34,590,942	30,453,436

Panasonic Business Systems Southern Cape: Panasonic replaced copier machines without the required authorisations from the Municipality and the Municipality refused to pay the account. Panasonic is claiming part of the contract value as compensation. The matter is currently being handled by the Municipality's attorneys.

Golden Rewards 1357CC: Tender OS11/2010 was awarded to Golden Rewards 1357CC (the Contractor) for the erection of an ablution facility in Lawaai kamp, George. The Contractor constructed the building according to plans provided to him by the Municipality. The Contractor subsequently claimed an amount of R294,274 from the Municipality. The basis of his claim is that the Municipality indicated the wrong sizes of the building on the building plans, which resulted in losses of R294,274. The Municipality did not agree with the allegation of the Contractor, neither with his claim and referred the matter to arbitration in terms of the General Conditions of Contract. The arbitration proceedings have not been concluded since a response from the claimant was not received.

Lagoon Beach Development: They lodged a third party claim against the Municipality. The matter is being defended and the Municipality is waiting for a trial date.

SA Local Authorities Pension Fund: The municipality is involved in a legal claim from SA Local Authorities Pension Fund to the value of R18,538,117, resulting from a retrospective employer contribution rate increase and interest on the outstanding amount. The claim is currently being defended but it is uncertain when it will be completed due to legal processes.

JE & JA Maree: The municipality is involved in a legal claim of R108,000 from JE & JA Maree. The claim is for the repayment municipal rates, taxes and costs pursuant to expropriation of portion 29 of the farm 197, Sandkraal. The matter is currently being disputed by the municipality but the case is pending due to no feedback received from claimants.

PA Gerber: He is claiming R600,000 compensation for the expropriation of section 44 (a part of 8) of the farm Buffelsfontein no 204 George. The farm Brakfontein no 236 was offered as full and final settlement to the claimant in exchange for the expropriated land. The offer was accepted by the claimant and it is in the process of being transferred.

MP Adendorf: This is a claim for damages by MP Adendorf against a contractor of the municipality, Lantern Developments. The contractor is under liquidation and has been substituted in the action by Zurich Insurance. The Municipality and Eskom have been added as third parties to contribute to any award according to their percentage of negligence. During the trial, the defendant unconditionally withdrew its claim for a contribution from the Municipality and the municipality no longer has any financial risk in the matter.

MC Chimes: This claim is for damages in the amount of R61,272 against the municipality. The plaintiff has been sequestered and the matter will not proceed as it has been finalised.

George Local Municipality
Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
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40. Contingencies (continued)

Rondevlei Community Association & Others: A summons was issued against the Municipality for alleged non-compliance to legislation with regards to the rebate on rates on agricultural properties. The case was heard in the High Court and the Court made a finding in favour of the Municipality. The applicants have applied to the court for leave to appeal against the judgement.

J Barnard: The individual was injured in a motor vehicle accident in Blanco when her vehicle crashed into grounded overhead electricity cables which were caused by another vehicle. She issued summons against the Municipality for her alleged injuries. The matter was referred to the Municipality's insurers for further attention.

Wage Curve Settlement Negotiations: The Trade Union, IMATU, and the Employers Organisation, SALGA, is involved in wage curve settlement negotiations relating to the wage curve dispute relating to salary increases of 2010. IMATU is willing to accept a fourteenth cheque for all its members but SALGA did not agree to this due to the significant cost implications thereof. The matter was referred to the Labour Appeal Court and they ruled in favour of the Municipalities during May 2014.

Contingent assets

The municipality contributed an amount of R5,1 million towards the establishment of the George Housing Association. The contributions were made in the 2005/06 to 2007/08 financial years with the last amount contributed during March 2008. The association was established as an Article 21 company and was never legally regarded as a municipal entity as stipulated in the Municipal Finance Management Act.

Upon legal action taken by the municipality, a court order was issued on 8 June 2012 against George Housing Association that the R5,1 million should be repaid to the municipality. The municipality received R1,604,568, being the balance in the bank account of the George Housing Association, on 5 July 2012. It is uncertain if the municipality will receive the balance of the R5,1 million.

An application for the liquidation of the association was brought during June 2013 in the High Court and the liquidation process is in progress.

Notes to the Financial Statements

41. Related parties

Relationships

Councillor

- Ward 1	MG Naik (Appointed 7 August 2013)
- Ward 2	C Neethling
- Ward 3	EP De Villiers
- Ward 4	LD van Wyk
- Ward 5	LBC Esau
- Ward 6	HH Ingo
- Ward 7	FZ Ntozini
- Ward 8	C Standers
- Ward 9	T Teyisi
- Ward 10	MD Gingcana
- Ward 11	NF Kamte
- Ward 12	GN Sixolo
- Ward 13	B Salmani
- Ward 14	C Remas (Appointed 3 July 2013)
- Ward 15	FS Guga
- Ward 16	HJ Jones
- Ward 17	D Maritz
- Ward 18	GC Niehaus
- Ward 19	IC Kritzinger
- Ward 20	M Draghoender
- Ward 21	JS Thanda
- Ward 22	PH de Swardt
- Ward 23	GJ Stander
- Ward 24	AM Wildeman
- Ward 25	MEF Kleynhans
Proportional	SJ Bezuidenhout (Resigned 31 August 2013)
Proportional	C Bob
Proportional	BM Cornelius
Proportional	NNE Dlephu
Proportional	J du Toit
Proportional	T Fortuin
Proportional	V Gericke
Proportional	WT Harris
Proportional	LS Hayward
Proportional	NV Kom
Proportional	PB Komani
Proportional	PS Lehlo
Proportional	R Lombaard (Appointed 2 July 2013)
Proportional	G Macclune
Proportional	SM Mekana
Proportional	MM Nyakathi
Proportional	B Petrus
Proportional	LN Qupe
Proportional	GMV Sihoyiya
Proportional	I Stemela
Proportional	PJ van der Hoven
Proportional	AJ van Zyl
Proportional	M Viljoen
Proportional	CT Williams
Proportional	W Witbooi

Notes to the Financial Statements

41. Related parties (continued)

Directors	
Directorate Financial Services	K Jordaan
Directorate Civil Engineering Services	HL Basson
Directorate Corporate & Social Services	EM Rankwana
Directorate Community Services	S James (Acting)
Directorate Human Settlement, Land Affairs & Planning	SB Erasmus
Directorate Electrotechnical Services	KD Grünewald

Municipal Manager T Botha

Related party transactions

Related party transactions for the year ended 30 June 2014

		Rates	Services	Total	Outstanding / (Account in credit)
Municipal manager & Councillors					
Executive mayor	C Standers	2,301	6,281	8,582	(107)
Deputy Mayor	D Maritz	-	5,529	5,529	(120)
Speaker	M Draghoender	611	4,910	5,521	(409)
Ex-Co Memb: Corporate & HR	I Stemela	2,996	4,249	7,245	74
Ex-Co Memb: Electrotechnical Services	WT Harris	623	6,385	7,008	159
Ex-Co Memb: Financial Services	LD Van Wyk	6,955	5,632	12,587	(175)
Ex-Co Memb: Community Services	IC Kritzinger	3,174	4,683	7,857	(149)
Ex-Co Memb: Planning	GJ Stander	11,220	5,325	16,545	1,398
Chief Whipp	PH De Swart	9,543	3,445	12,988	(35)
Ex-Co Memb: Community Services	EP De Villiers	6,000	5,767	11,767	-
Councillor: Ward 2	C Neethling	6,038	7,197	13,235	2,026
Councillor: Ward 5	LBC Esau	3,431	6,314	9,745	580
Councillor: Ward 6	HH Ingo	614	4,492	5,106	(4)
Councillor: Ward 11	NF Kamte	-	6,198	6,198	(51)
Councillor: Ward 12	GN Sixolo	-	3,939	3,939	(12)
Councillor: Ward 14	C Remas	3,301	11,861	15,162	(235)
Councillor: Ward 15	FS Guga	-	5,027	5,027	(15)
Councillor: Ward 18	GC Niehause	12,142	48,019	60,161	4,669
Councillor: Ward 21	JS Thanda	-	3,445	3,445	-
Councillor: Ward 24	AM Wildeman	-	3,166	3,166	(33)
Councillor: PR	BM Cornelius	1,132	5,048	6,180	(142)
Councillor: PR	CT Williams	663	6,545	7,208	(100)
Councillor: PR	LS Hayward	9,292	6,172	15,464	(39)
Councillor: PR	NV Kom	-	4,253	4,253	(84)
Councillor: PR	T Fortuin	442	4,746	5,188	49
Councillor: PR	PS Leholo	-	3,445	3,445	(287)
Councillor: PR	R Lombaard	1,923	15,166	17,089	1,053
Councillor: PR	PJ Van der Hoven	5,262	8,307	13,569	(183)
Councillor: PR	SM Mekana	-	4,241	4,241	(285)
Councillor: PR	PB Komani	459	14,938	15,397	6,753
Councillor: PR	C Bob	1,281	5,633	6,914	93
Councillor: PR	G Macclune	-	1,387	1,387	(313)

George Local Municipality
Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

41. Related parties (continued)

Councillor: PR	B Petrus	440	4,805	5,245	(666)
Councillor: PR	MM Nyakathi	-	4,676	4,676	(191)
Councillor: PR	GMV Sihoyiya	-	4,338	4,338	(327)
Councillor: PR	AJ Van Zyl (Spouse's account)	9,503	4,710	14,213	1,169

Section 56 and 57

Personnel

Municipal Manager	T Botha	-	1,518	1,518	163
Director Electrotechnical Services	KD Grünwald	8,418	4,569	12,987	(1,561)
Director Civil Engineering Services	HL Basson	7,662	7,540	15,202	3,953
Director Human Settlement, Land Affairs & Planning	SB Erasmus	-	2,660	2,660	294

115,426	266,561	381,987	16,910
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Related party transactions for the year ended 30 June 2013

		Rates	Services	Total	Outstanding / (Account in credit)
Municipal manager & Councillors					
Executive mayor	C Standers	2,131	4,403	6,535	(242)
Deputy Mayor	D Maritz	-	4,156	4,156	(104)
Ex-Co Memb: Corporate & HR	I Stemela	4,896	3,602	8,498	(576)
Ex-Co Memb: Electrotechnical Services	WT Harris	576	5,327	5,904	(49)
Ex-Co Memb: Financial Services	LD Van Wyk	6,440	5,194	11,635	(481)
Ex-Co Memb: Community Safety	IC Kritzinger	2,939	4,207	7,146	(1,115)
Ex-Co Memb: Planning	GJ Stander	10,389	5,147	15,536	1,249
Chief Whipp	PH de Swardt	8,837	3,297	12,134	(651)
Councillor: Ward 3	EP De Villiers	5,556	5,627	11,182	893
Councillor: Ward 4	LBC Esau	3,177	5,374	8,551	(49)
Councillor: Ward 11	NF Kamte	-	5,380	5,380	(99)
Councillor: Ward 12	GN Sixolo	477	3,489	3,966	(101)
Councillor: Ward 15	FS Guga	-	5,027	5,027	(210)
Councillor: Ward 18	GC Niehaus	9,745	41,923	51,668	4,621
Councillor: Ward 21	JS Thanda	-	2,919	2,919	(85)
Councillor: Ward 24	AM Wildeman	-	4,480	4,480	(199)
Councillor: PR	BM Cornelius	1,048	3,689	4,737	(312)
Councillor: PR	CT Williams	663	3,489	4,151	(488)
Councillor: PR	NV Kom	-	3,658	3,658	(397)
Councillor: PR	T Fortuin	503	4,253	4,756	(40)
Councillor: PR	PS Leholo	-	2,919	2,919	(243)
Councillor: PR	SJ Bezuidenhout	6,843	4,411	11,255	(699)
Councillor: PR	F Harris	-	3,703	3,703	(85)
Councillor: PR	PJ van der Hoven	4,872	7,379	12,252	918
Councillor: PR	AJ Van Zyl	8,799	4,332	13,131	1,101

George Local Municipality
Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

41. Related parties (continued)

Councillor: PR	PB Komani	425	3,525	3,950	(50)
Councillor: PR	C Bob	1,186	5,081	6,267	78
Councillor: PR	G Macclune	-	1,671	1,671	(150)
Councillor: PR	B Petrus	469	4,216	4,685	(312)
Councillor: PR	GMV Sihoyiya	-	4,523	4,523	(130)
Councillor: PR	SM Mekana	-	3,661	3,661	(326)
Councillor: PR	LS Hayward	8,604	5,150	13,754	(403)

Section 56 and 57

Personnel

Municipal Manager	T Botha	-	785	785	(40)
Director Electrotechnical Services	KD Grünewald	7,795	4,482	12,276	402
Director Civil Engineering Services	HL Basson	8,610	10,392	19,002	-
Director Human Settlement, Land Affairs & Planning	SB Erasmus	-	1,541	1,541	-
Director Environmental Affairs	A Smith	5,822	4,255	10,077	(67)
		110,802	196,667	307,471	1,559

The services rendered to related parties are charged at approved tariffs that were advertised to the public. No bad debts were written off or recognised in respect of amounts owed by related parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer deposits were received from councillors, the municipal manager and Section 57 personnel. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

Loans granted to related parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. Loans, together with the conditions thereof, granted prior to this date are disclosed in note 4 to the Annual Financial Statements.

Compensation of related parties

Compensation of Key Management Personnel and Councillors is set out in notes 27 and 28 to the Annual Financial Statements.

George Local Municipality
Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

41. Related parties (continued)

Purchases from related parties

The municipality bought goods from the following companies, which are considered to be Related Parties:

Company name	Related person	Company capacity	Capacity at State / Municipality	Relationship	Purchases for the year
ABSA Bank	M Ramos	CEO	SA Politician	Husband	20,369,159
	LL Von Zeuner	Director	Department of Health	Brother	
Aurecon SA (Pty) Ltd	Various	Various	Various	Various	16,221,954
Royal Haskoning DHV	JD van Eeden	Member	Councillor	Brother	11,616,309
			Langeberg Department of Water Affairs	Nephew	
SMEC SA	J Basson	Director	Official at George Municipality	Brother	7,173,674
DFN Construction	D Noemdoe	Member	Official at George Municipality	Brother	1,337,101
			Department of Labour	Sister	
ISHS	CM Willemse	Director	Teacher	Wife	900,423
On Track Innovations Africa	V Luyt	Director	Department of Education	Wife	889,469
Bearing Warehouse	FC Zeelie	Member	Department of Agriculture	Wife	243,717
Raubenheimers Incorporated	WM Luttig	Director	Teacher	Wife	205,769
MVD Consulting Engineers	CV Swart	Director	Teacher	Wife	165,179
AH Cupido	AH Cupido	Owner	Official at George Municipality	Son	104,832
Seebosrand Catering	ME Classen	Owner	Official at George Municipality	Daughter	103,511
Omnisolar	JE Albert	Member	Not Indicated	Wife	42,191
Jaji Bee Relocation and Honey Farming	QJ Jaji	Owner	Official at George Municipality	Daughter	32,770
Luluvolvethu Construction	G Rasi	Owner	Official at George Municipality	Husband	23,100
Rosmell	C Manchest	Director	SAPS	Wife	14,337
Siyakhatala Safety	AP Els	Director	SAPS	Wife	7,784
Nashua Mobile	D Mazibuko	Non Executive Director	National Departments of Arts & Culture		1,840
MCRT Developments	M Hartnick	Director	Harry Comay Hospital	Wife	250
					59,453,369

A provision was created for compensation due to taxi owners as part of the George Integrated Public Transport Network. Refer to note 18 for more detail. The following shareholders of the operating company are also employees of the Municipality and will be receiving compensation.

Name	Position at the Municipality
KB Meyer	Administrator Human Settlement, Land Affairs & Planning
E Nqumse	Marketer Electrotechnical Services
I Stemela	Proportiona councillor

George Local Municipality
Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

42. Prior period errors and reclassifications

STATEMENT OF FINANCIAL POSITION

	2013 previously reported	Adjustments for errors	Reclassify adjustments	2013 restated
Assets				
Current Assets				
Inventories	183,694,651	-	-	183,694,651
Trade receivables from exchange transactions - Refer 42.9, 42.10	49,539,691	10,421,226	11,817,634	71,778,551
Trade receivables from non-exchange transactions - Refer to 42.3, 42.4, 42.7, 42.9, 42.13, 42.14	23,639,828	28,125,265	40,981,235	92,746,328
Other receivables - Refer to 42.3	40,873,838	-	(40,873,838)	-
VAT receivable - Refer 42.9	9,093,233	5,789,509	(11,925,031)	2,957,711
Loans and receivables	304,449	-	-	304,449
Cash and cash equivalents	266,877,126	-	-	266,877,126
	574,022,816	44,336,000	-	618,358,816
Non-current Assets				
Property, plant and equipment - Refer 42.11, 42.12, 42.13	2,335,025,594	(19,541,025)	-	2,315,484,569
Intangible assets	1,289,004	-	-	1,289,004
Heritage assets	4,236,000	-	-	4,236,000
Investment property	152,740,935	-	-	152,740,935
Loans and receivables	1,163,637	-	-	1,163,637
	2,494,455,170	(19,541,025)	-	2,474,914,145
Total Assets	3,068,477,986	24,794,975	-	3,093,272,961
Liabilities				
Current Liabilities				
Loans and borrowings	36,963,110	-	-	36,963,110
Trade and other payables from exchange transactions - Refer to 42.3, 42.5, 42.6	107,230,084	479,628	(6,491,659)	101,218,053
Consumer deposits	17,697,494	-	-	17,697,494
Employee benefits - Refer to 42.3	28,473,283	-	6,491,659	34,964,942
Provisions	3,341,806	-	-	3,341,806
Unspent conditional grants and receipts - Refer 42.8	71,492,455	(1,080,308)	-	70,412,147
	265,198,232	(600,680)	-	264,597,552
Non-Current Liabilities				
Loans and borrowings	450,070,455	-	-	450,070,455
Employee benefits - Refer to 42.15	119,002,930	189,121	-	119,192,051
Provisions	11,861,745	-	-	11,861,745
	580,935,130	189,121	-	581,124,251
Total Liabilities	846,133,362	(411,559)	-	845,721,803
Total Net Assets	2,222,344,624	25,206,534	-	2,247,551,158

Notes to the Financial Statements

42. Prior period errors and reclassifications (continued)

Net Assets

Housing development fund	77,330,118	-	-	77,330,118
Accumulated surplus	2,145,014,506	25,206,534	-	2,170,221,040
	<u>2,222,344,624</u>	<u>25,206,534</u>	<u>-</u>	<u>2,247,551,158</u>

STATEMENT OF FINANCIAL PERFORMANCE

	2013 previously reported	Adjustments for errors	Reclassify adjustments	2013 restated
Revenue from exchange transactions	640,724,157	13,354,770	-	654,078,927
Service charges - Refer 42.10	587,205,040	12,354,390	-	599,559,430
Rental revenue - Refer 42.14	1,990,718	167,743	-	2,158,461
Income from agency services	6,290,635	-	-	6,290,635
Licences and permits	2,507,791	-	-	2,507,791
Sale of erven - Refer to 42.1	-	-	2,190,146	2,190,146
Other income - Refer to 42.1	25,286,896	-	(2,190,146)	23,096,750
Interest received - Refer 42.8	17,424,600	832,637	-	18,257,237
Gains on disposal of assets	18,477	-	-	18,477
Revenue from non-exchange transactions	395,375,898	4,492,564	-	399,868,462
Property rates	143,438,448	-	-	143,438,448
Property rates - penalties and collection charges	3,845,224	-	-	3,845,224
Government grants and subsidies	232,515,870	-	-	232,515,870
Fines - Refer to 42.7	15,576,356	4,492,564	-	20,068,920
	<u>1,036,100,055</u>	<u>17,847,334</u>	<u>-</u>	<u>1,053,947,389</u>
Expenditure				
Employee related cost - refer to 42.2, 42.15	269,126,109	189,121	17,403	269,332,633
Remuneration of councillors - Refer to 42.4	14,567,528	(19,956)	-	14,547,572
Depreciation and amortisation - Refer 42.11, 42.12, 42.13	106,153,538	50,957	-	106,204,495
Impairment losses - Refer 42.9	37,041,738	(5,835,909)	-	31,205,829
Finance cost	55,450,529	-	-	55,450,529
Collection cost - refer to 42.2	4,648,374	-	(1,492,055)	3,156,319
Repairs and maintenance - Refer to 42.2	63,724,904	-	(1,602,447)	62,122,457
Bulk purchases - Refer to 42.2	276,691,264	-	(240,910)	276,450,354
Contracted services - Refer to 42.2	93,695,665	-	1,492,056	95,187,721
Grants and subsidies paid	1,520,077	-	-	1,520,077
Cost of erven sold	2,290,750	-	-	2,290,750
General Expenses - Refer to 42.2, 42.6	80,080,680	188,386	1,825,953	82,095,019
	<u>1,004,991,156</u>	<u>(5,427,401)</u>	<u>-</u>	<u>999,563,755</u>
Surplus / (Deficit) for the year	31,108,899	23,274,735	-	54,383,634

Notes to the Financial Statements

42. Prior period errors and reclassifications (continued)

CASH FLOW STATEMENT	2013 previously reported	Adjustment for errors	Reclassify adjustments	2013 restated
Net cash from operating activities - Refer to 42.13	200,010,626	(6,221,423)	-	193,789,203
Net cash from investing activities - Refer to 42.13	(118,191,085)	6,221,423	-	(111,969,662)
Net cash from financing activities	(33,843,432)	-	-	(33,843,432)
Total cash movement for the year	47,976,109	-	-	47,976,109
Cash and cash equivalents at the beginning of the year	218,901,017	-	-	218,901,017
	266,877,126	-	-	266,877,126

Certain comparative figures have been reclassified due to incorrect allocations in the prior period. These reclassifications do not have any effect on the accumulated surplus except where indicated.

The correction of the error(s) and reclassifications are as follows:

42.1 Reclassification of revenue in the Statement of Financial Performance

Sale of Erven was included in Other Income in the 2013 financial statements. This item has been moved out of Other Income and is shown as a line item on its own in this year's financial statements.

The effect of the reclassification is as follows:

Increase / (Decrease) in Sale of Erven	2,190,147
Increase / (Decrease) in Other Income	(2,190,147)
Increase / (Decrease) in Accumulated surplus for the year ended 30 June 2013	-

Notes to the Financial Statements

42. Prior period errors and reclassifications (continued)

42.2 Reclassification of expenses in the Statement of Financial Performance

The groupings of expenses was revised and the following reclassifications was made:

(Increase) / Decrease in Employee Related Cost	(17,403)
(Increase) / Decrease in Collection Cost	1,492,055
(Increase) / Decrease in Repairs and Maintenance	1,602,447
(Increase) / Decrease in Bulk Purchases	240,911
(Increase) / Decrease in Contracted Services	(1,492,055)
(Increase) / Decrease in General Expenses	(1,825,955)
Increase / (Decrease) in Accumulated surplus for the year ended 30 June 2013	-

42.3 Reclassification of Other Receivables in the Statement of Financial Position

The Standards of GRAP requires that Trade and Other Receivables should be disclosed as Receivables from Exchange Transactions and Receivables from Non-exchange transactions. Other receivables were reclassified and are grouped with together with Trade and Other Receivables from Non-Exchange Transactions.

Included in Trade and other payables from exchange transactions is the Accrued bonus of staff. This line item was reclassified to Employee Benefits.

The effect of the reclassification is as follows:

(Increase) / Decrease in Trade and Other Receivables from Non-exchange transactions	40,873,838
(Increase) / Decrease in Other Receivables	(40,873,838)
Increase / (Decrease) in Trade and other payables from exchange transactions	(6,491,659)
Increase / (Decrease) in Employee Benefits	6,491,659
Increase / (Decrease) in Accumulated surplus for the year ended 30 June 2013	-

42.4 Incorrect cellphone allowance paid to executive mayor

An incorrect cellphone allowance was paid to the executive mayor since the 2011 financial year. He is going to repay an amount of R40,387 to the municipality.

The effect of this correction is as follows:

(Decrease) / Increase in Accumulated surplus for the year ended 30 June 2012	20,431
Decrease / (Increase) in Remuneration of Councillors	19,956
(Increase) / Decrease in Trade and other receivables from non-exchange transactions	(40,387)
Increase / (Decrease) in Accumulated surplus for the year ended 30 June 2013	40,387

42.5 Audit fees for 2012 audit received during 2014 financial year

The municipality received an account from the Auditor General for the IT audit of the 2012 financial year.

The effect of this correction is as follows:

Increase / (Decrease) in Accumulated surplus for the year ended 30 June 2012	(60,000)
Increase / (Decrease) in Trade and Other Payables	60,000
Increase / (Decrease) in Accumulated surplus for the year ended 30 June 2013	(60,000)

Notes to the Financial Statements

42. Prior period errors and reclassifications (continued)

42.6 DMA expenses paid by Eden District Municipality

After the transfer of the DMA area from Eden District Municipality to George Municipality, Eden Municipality continued to pay expenses of the DMA area. These expenses are refundable to them by George Municipality.

The effect of this correction is as follows:

Increase / (Decrease) in Accumulated surplus for the year ended 30 June 2012	(231,251)
Decrease / (Increase) in General Expenses	(188,384)
Increase / (Decrease) in Trade and Other Payables	419,635
Increase / (Decrease) in Accumulated surplus for the year ended 30 June 2013	<u>(419,635)</u>

42.7 Traffic fines issued during 2013 financial year not accounted for

The Municipality performed a reconciliation of fines issued and paid since 1 July 2013 to account for fine revenue in terms of IGRAP1. Fine payments received during the year for fines issued in the previous year were found in the Statement of Financial Performance. These fines have been moved to the previous year.

The effect of this correction is as follows:

Increase / (Decrease) in Fines revenue	4,492,563
(Increase) / Decrease in Trade receivables from non-exchange transactions	(4,492,563)
Increase / (Decrease) in Accumulated surplus for the year ended 30 June 2013	<u>4,492,563</u>

42.8 Interest allocated to unspent conditional grants in previous years reversed

Interest was allocated to the George Integrated Public Transport Network Operations grant. National Treasury released a circular instructing municipalities that interest should not be allocated to the unspent portions of grants. Interest allocated to this grant during the 2012 and 2013 financial years was reversed.

The effect of this correction is as follows:

Increase / (Decrease) in Accumulated surplus for the year ended 30 June 2012	247,671
Increase / (Decrease) in Interest Received	832,636
Increase / (Decrease) in Unspent Conditional Grants	(1,080,307)
Increase / (Decrease) in Accumulated surplus for the year ended 30 June 2013	<u>1,080,307</u>

Notes to the Financial Statements

42. Prior period errors and reclassifications (continued)

42.9 VAT portion of trade receivables from exchange and non-exchange transactions

Gross debtors from exchange and non-exchange transactions did not include the VAT on the debtors. The VAT on the debtors was reclassified from the VAT account and the VAT liability of gross debtors was impaired on the same basis as the debtors.

The effect of this correction is as follows:

(Increase) / Decrease in Trade receivables from exchange transactions	11,817,632
(Increase) / Decrease in Trade receivables from non-exchange transactions	107,397
VAT receivable	(6,089,120)
(Increase) / Decrease in Impairment losses	5,835,909
Increase / (Decrease) in Accumulated surplus for the year ended 30 June 2013	5,835,909

42.10 Water and electricity consumption of June invoiced in July

The method of the calculation of water and electricity consumed in June but invoiced in July was reviewed and amended to a more accurate method of consumption billed in July. The calculations for 2013 and 2012 were also amended.

The effect of this correction is as follows:

Increase / (Decrease) in Accumulated surplus for the year ended 30 June 2012	(1,933,162)
(Increase) / Decrease in Trade receivables from exchange transactions	(10,421,228)
Increase / (Decrease) in Service charges	12,354,390
Increase / (Decrease) in Accumulated surplus for the year ended 30 June 2013	10,421,228

42.11 Useful lives of property, plant and equipment reviewed

Items of property, plant and equipment were fully depreciated to their useful lives in 2013. Their useful lives were reviewed and adjusted.

The effect of this correction is as follows:

Increase / (Decrease) in Accumulated surplus for the year ended 30 June 2012	4,489,769
(Increase) / Decrease in Depreciation and Amortisation	193,957
(Increase) / Decrease in Property, plant and equipment	(4,683,726)
Increase / (Decrease) in Accumulated surplus for the year ended 30 June 2013	4,683,726

42.12 Property, plant and equipment items not depreciated

Items of property, plant and equipment was identified on the asset register that did not depreciate even though they were commissioned and had useful lives attached to them. The municipality recalculated the depreciation and corrected the depreciation of the prior years.

The effect of this correction is as follows:

Increase / (Decrease) in Accumulated surplus for the year ended 30 June 2012	(765,351)
(Increase) / Decrease in Depreciation and Amortisation	(248,094)
(Increase) / Decrease in Property, plant and equipment	1,013,445
Increase / (Decrease) in Accumulated surplus for the year ended 30 June 2013	(1,013,445)

Notes to the Financial Statements

42. Prior period errors and reclassifications (continued)

42.13 Eskom refund

During the three years ending of 30 June 2013, the Municipality spent R46,221,423 on connection cost at the Schaapkop Substation. The spending was based on invoices supplied by Eskom. During the year ended 30 June 2014, Eskom notified the municipality that their cost calculations were incorrect and they refunded R23,214,487 to the Municipality. The refund was for capital expenditure of R16,993,064 in 2012 and R6,221,423 in 2013.

The Municipality decreased Property, plant and equipment and recognised a debtor for the amount received from Eskom.

The effect of this correction is as follows:

(Increase) / Decrease in Depreciation and Amortisation	3,180
(Increase) / Decrease in Property, plant and equipment	23,211,306
(Increase) / Decrease in Trade and Other Receivables from Non-exchange Transactions	(23,214,487)
Increase / (Decrease) in Accumulated surplus for the year ended 30 June 2013	3,180

42.14 Rental income received from Eden District Municipality

Eden District Municipality notified George Municipality that they owe George Municipality rental income of properties that was transferred to George Municipality as part of the DMA transaction in 2012. The rental income was paid into Eden District Municipality's bank account by the tenants after the transfer of the properties to George Municipality.

George Municipality recognised the rental income and other receivable as follows:

Increase / (Decrease) in Accumulated surplus for the year ended 30 June 2012	163,683
Increase / (Decrease) in Rental Income	167,743
(Increase) / Decrease in Trade and Other Receivables from Non-exchange Transactions	(377,825)
(Increase) / Decrease in VAT	46,400
Increase / (Decrease) in Accumulated surplus for the year ended 30 June 2013	331,426

42.15 Provision of performance bonuses of 2012/2013

The provision of the performance bonuses for the municipal manager and directors was corrected as follows:

(Increase) / Decrease in Employee related cost	(189,121)
Increase / (Decrease) in Employee Benefits	189,121
Increase / (Decrease) in Accumulated surplus for the year ended 30 June 2013	(189,121)

43. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the municipality through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including interest rate risk and price risk), credit risk and liquidity risk.

Notes to the Financial Statements

43. Risk management (continued)

The municipality seeks to minimise the effects of these risks in accordance with its policies approved by the Council. The policies provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and in the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the Director Financial Services on a continuous basis. The municipality does not enter into or trade in financial instruments, including derivative financial instruments, for speculative purposes.

The Treasury function reports periodically to the municipality's finance committee, that monitors risks and policies implemented to mitigate risk exposures.

Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in raising funds to meet commitments associated with financial liabilities.

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Loans and borrowings	86,937,797	82,633,665	208,951,235	409,147,365
Consumer Deposits	19,902,234	-	-	-
Trade and other payables	102,545,969	-	-	-
At 30 June 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Loans and borrowings	87,301,555	86,937,797	228,758,525	471,973,740
Consumer Deposits	17,697,494	-	-	-
Trade and other payables	88,689,280	-	-	-

Interest rate risk

The Municipality is exposed to interest rate risk due to the movements in long-term and short term interest rates.

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

The municipality's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer-term borrowings and finance leases are therefore usually at fixed rates.

This risk is managed on an ongoing basis.

Notes to the Financial Statements

43. Risk management (continued)

Credit risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Potential concentrations of credit rate risk consist mainly of investments, loans and receivables, trade receivables, other receivables, short-term investment deposits and cash and cash equivalents.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction/ exposure limits, which are included in the municipality's Investment Policy.

Trade receivables comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these customers. Trade receivables are presented net of an allowance for impairment and where appropriate, credit limits are adjusted.

Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply.

In the case of customers whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Non-current Receivables and Other Receivables are collectively evaluated annually at reporting date for impairment or discounting. A report on the various categories of customers is drafted to substantiate such evaluation and subsequent impairment / discount, where applicable.

The entity only deposits with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents is considered to be low, the maximum exposure is disclosed below.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Financial instrument	2014	2013
Loans and receivables	1,317,369	1,468,086
Trade receivables from exchange transactions	70,145,049	71,778,551
Trade receivables from non-exchange transactions	112,067,433	92,746,328
Cash and cash equivalents	387,194,924	266,877,126

The method for determining the credit quality of the different financial instruments are disclosed in their individual notes.

Price risk

The effect of any price risk in the foreseeable future is regarded as minimal given the fact that amounts receivable from the municipality's customers are levied in terms of the relevant statutes. It is not anticipated that given the nature of the municipality's business that changes in market prices will have a material impact on the trading results of the municipality.

There has been no change, since the previous financial year, to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

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Notes to the Financial Statements

Figures in Rand	2014	2013
44. Unauthorised expenditure		
Employee related cost		
Reconciliation of unauthorised expenditure		
Opening balance	7,545,238	13,077,435
Unauthorised expenditure current year	17,878,781	7,545,238
Approved by Council or condoned	(7,545,238)	(13,077,435)
	17,878,781	7,545,238

The unauthorised expenditure relates to the budget overspending due to Provision for Employee Benefits.

Unauthorised expenditure for the year ending 30 June 2014 will be presented to the council after year end to be condoned.

Impairment losses

Reconciliation of unauthorised expenditure		
Opening balance	12,721,151	8,081,889
Unauthorised expenditure current year	47,604,195	12,721,151
Approved by Council or condoned	(12,721,151)	(8,081,889)
Transfer to receivables for recovery	-	-
	47,604,195	12,721,151

The unauthorised expenditure relates to budget overspending due to implementation of iGRAP1 and fines debtors being impaired as well as a change in the methodology of the impairment of rates. Refer also to note 51.

Unauthorised expenditure for the year ending 30 June 2014 will be presented to the council after year end to be condoned.

Depreciation and amortisation

Reconciliation of unauthorised expenditure		
Opening balance	-	2,976,111
Approved by Council or condoned	-	(2,976,111)
	-	-

Finance charges

Reconciliation of unauthorised expenditure		
Opening balance	201,880	-
Unauthorised expenditure current year	546,547	201,880
Approved by Council or condoned	(201,880)	-
	546,547	201,880

The unauthorised expenditure relates to the interest charge on the provision for the rehabilitation of the landfill sites not being budgeted for. Refer to notes 18 and 51 for more detail.

Unauthorised expenditure for the year ending 30 June 2014 will be presented to the council after year end to be condoned.

George Local Municipality
Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
44. Unauthorised expenditure (continued)		
Other expenses		
Reconciliation of unauthorised expenditure		
Opening balance	-	3,787,952
Unauthorised expenditure current year	99,085	-
Approved by Council or condoned	-	(3,787,952)
	99,085	-

Unauthorised expenditure for the year ending 30 June 2014 will be presented to the council after year end to be condoned.

45. Fruitless and wasteful expenditure

Forensic investigation at traffic department on cash received but not banked (incident happened during 2012 financial year)	11,050	11,050
Amount written off	(6,800)	-
Amount recovered	(4,250)	-
	-	11,050

The matter was referred to the Municipal Public Accounts committee and they recommended to Council that the amount be written off as irrecoverable.

46. Irregular expenditure

Opening balance	-	37,725
Add: Irregular Expenditure - current year	-	-
Less: Amounts condoned	-	(37,725)
	-	-

47. Material losses

Electricity distribution

Units purchased (KWh)	453,546,059	449,478,882
Units lost during distribution	33,526,680	27,783,588
Percentage lost during distribution	7.39%	6.18%

Water distribution losses

Kilolitres purified	10,043,705	10,203,693
Kilolitres lost during distribution	1,358,963	1,894,238
Percentage lost during distribution	13.53%	18.56%

48. In-kind donations and assistance

The following assets have been donated to the Municipality and form part of the Property, plant and equipment additions for the year:

George Local Municipality
Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
48. In-kind donations and assistance (continued)		
Themba lethu Tourism Office (Erf 9720)	1,739,679	
Pacaltsdorp Tourism Office (Erf 8537)	1,417,771	
Outeniqua Rugby Stadium pavilions	11,360,800	
Outeniqua Rugby Stadium admin office	575,250	
Roorivierrif Sport Complex, Clubhouse and stoep	437,850	
Caledon Main Library's computer equipment	40,816	
Branch Libraries' computer equipment	249,295	
	15,821,461	
49. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Current year subscription / fee (SALGA)	2,603,565	2,075,479
Amount paid - current year (SALGA)	(2,603,565)	(2,075,479)
	-	-
Audit fees		
Current year subscription / fee	2,925,837	3,519,715
Amount paid - current year	(2,925,837)	(3,519,715)
	-	-
PAYE and UIF		
Current year subscription / fee	41,054,389	34,777,409
Amount paid - current year	(41,054,389)	(34,777,409)
	-	-
Pension and Medical Aid Deductions		
Current year subscription / fee	62,542,531	56,593,338
Amount paid - current year	(62,542,531)	(56,593,338)
	-	-
VAT		
VAT receivable	5,673,453	2,957,712

VAT output payables and VAT input receivables are shown in note 6.

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

Councillors' consumer accounts all have current balances. None of their accounts are outstanding for more than 90 days.

George Local Municipality
Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
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49. Additional disclosure in terms of Municipal Finance Management Act (continued)

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Accounting Officer and noted by Council. Deviations from the Supply Chain Management processes were identified for the following categories and have been approved by the Accounting Officer and reported to Council.

Incident	Less than R30,000	Between R30,001 and R200,000	Between R200,001 and R2,000,000	More than R2,000,000
Office of the Municipal Manager	246,316	353,559	-	-
Corporate & Social Services	116,854	-	-	-
Civil Engineering Services	365,937	1,696,239	790,273	-
Electro-technical Services	652,393	886,258	1,341,404	-
Planning & Human Settlement	137,640	344,997	-	-
Environmental Affairs & Community Safety	982,104	492,067	248,406	-
Financial Services	188,799	663,795	-	-
	2,690,043	4,436,915	2,380,083	-

George Local Municipality
Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
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49. Additional disclosure in terms of Municipal Finance Management Act (continued)

The major deviations were as follows:

Awarded	Amount	Reason / Explanation
Reinhausen South Africa	805,789	Repairs to SS Tamsui Transformer (Insurance claim) - Sole supplier
Much Asphalt	467,403	Supply of asphalt - Sole supplier in Southern Cape
ImproChem	322,870	Supply of Zetag - Sole supplier
ABB South Africa	316,495	Replace 11kv switchgear - Sole supplier
C and M Consulting Engineers	248,406	Air quality equipment - Sole supplier of specific product
Nosa (Pty) Ltd	219,120	SAMTRAC (US244283) - Sole supplier of specific product
Built It George	186,537	Material for emergency structures - Emergency / Direct negotiations with suppliers
Transmission Gear Services	180,218	Service of Hansen aerators - Sole suppliers
Bytes Universal Systems	157,320	Update SAMRAS system - Sole Supplier
ImproChem	150,708	Megnoflox- Non-Ionic Polymer - Emergency / Sole supplier
ImproChem	150,708	Magnoflex Lt20 - Sole supplier
New Heights 232	150,316	Repairs to tidal pool - Direct negotiations with suppliers
Valley Distribution	134,885	Transmission poles - Direct negotiations with suppliers
R&S Communications	133,927	Repairs to radio station - Tolberg (Insurance claim) - such services have already been required from specific supplier
Knowledge Base Sales	110,181	Civil Designer Software - Sole supplier
Valley Hire	107,160	Kitchen container for creche - Sole supplier in George
Huber Technology	99,066	Repair Huber fine screen - sole supplier
Syntell	98,254	Traffic controllers - Sole supplier
Barlows	97,483	Repairs to bulldozer - sole supplier agent for CAT
NOSA (Pty) Ltd	95,435	Introduction to SAMTRAC - Sole supplier of specific product
Kone Elevators	93,680	Repairs to lift in Main building - Direct negotiations with manufacturer of specific part
Transtech	91,446	Mechlift bin lifter - Sole supplier
BFM Engin Rebuilders	90,861	Replace engine of refuse truck - Direct negotiations with suppliers
Puricare International	87,812	Maintenance Civic Hall - Impossible to follow the official procurement process. Short notice of Minister's visit
Hoistec Engineering	77,421	Load testing and safety inspection - sole supplier in George
Caseware International	75,850	Caseware System - Sole Supplier
	4,749,351	

50. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	450,070,455	487,033,565
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Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date. Refer to note 13 for detail of long-term liabilities.

51. Budget differences

51.1 Investment revenue

Changes from the approved budget to the final budget: The budget was increased by R3,800,000 from R18,176,580 to R21,976,580 to account for interest on short term investments that earned more interest than the operating bank account.

The difference between the final adjustments budget and the actual amounts is less than 10%.

Notes to the Financial Statements

Figures in Rand	2014	2013
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51. Budget differences (continued)

51.2 Transfers recognised - operational

Changes from the approved budget to the final budget: The budget was increased by R60,686,611 from R262,438,466 to R323,125,077 to account for additional operating grants allocated from National and Provincial Treasury.

The difference between the final adjustments budget and the actual amounts is 12%. The majority of the difference consist of R25,6 million not being spent on housing administration and R18,3 million of the Provincial grant for the George Integrated Public Transport Network Grant.

51.3 Other own revenue

Changes from the approved budget to the final budget: The budget was decreased by R5,711,046 from R47,564,808 to R41,853,792 to account for the under collection of fines. The amount budgeted for fines revenue was based on actual amounts received and not fines issued.

The difference between the final adjustments budget and the actual amounts is 127%. The majority of the difference consist of additional fines revenue of R45,211,810 recognised in terms of iGRAP 1. There were also a decrease of R365,333 in licences and permits due to less drivers' licences being issued.

51.4 Debt impairment

The difference between the final adjustments budget and the actual amounts is 216% and the majority of the difference consist of an allowance for impairment of fines receivable of R38,890,764 and an increase the impairment allowance of rates of R7,112,023.

51.5 Depreciation and asset impairment

Changes from the approved budget to the final budget: The budget was increased by R13,028,624 from R100,225,148 to R113,253,772 to account for depreciation on assets that were commissioned during 2012/2013.

The difference between the final adjustments budget and the actual amounts is less than 10%.

51.6 Other expenditure

Changes from the approved budget to the final budget: The budget was increased by R82,440,679 from R386,598,290 to R469,038,969 to provide for additional operating grant allocation for the operational cost for the George Integrated Public Transport Network and the N2 bridge widening project.

The difference between the final adjustments budget and the actual amounts is 13%. The majority of the difference consist of underspending on housing projects of R25,6 million , George Integrated Transport Network of R3 million and proclaimed roads of R10,9 million.

51.7 Transfers recognised - capital

Changes from the approved budget to the final budget: The budget was increased by R115,845,792 from R157,542,484 to R273,388,276 to account for additional grant allocations from National and Provincial Treasury.

The difference between the final adjustments budget and the actual amounts is less than 10%.

Notes to the Financial Statements

Figures in Rand	2014	2013
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51. Budget differences (continued)

51.8 Contributions recognised - capital & contributed assets

Changes from the approved budget to the final budget: The budget was increased by R2,200,000 from R6,620,270 to R8,820,270 to account for sale of even income being more than expected.

The difference between the final adjustments budget and the actual amounts is 276%. The majority of the difference consist of contributed assets of R15,847,777 being capitalised (Refer to note 48). In addition to the contributed assets, more even were sold than anticipated.

51.9 Capital expenditure: Executive and Council

The difference between the final adjustments budget and the actual amounts is 71% and consist of saving on Ward projects that could not be completed.

51.10 Capital expenditure: Budget and Treasury Office

Changes from the approved budget to the final budget: The budget was decreased by R80,000 from R780,000 to R700,000 on the acquisition of vehicles.

The difference between the final adjustments budget and the actual amounts is less than 10%.

51.11 Capital expenditure: Corporate Services

Changes from the approved budget to the final budget: The budget was decreased by R1,828,000 from R4,795,000 to R2,967,000 on the acquisition of vehicles.

The difference between the final adjustments budget and the actual amounts is 52% and consist of a petrol management system and clocking system projects that did not materialise.

51.12 Capital expenditure: Community and social services

Changes from the approved budget to the final budget: The budget was increased by R686,833 from R1,475,000 to R2,161,833 to account for donated assets for libraries that were capitalised.

The difference between the final adjustments budget and the actual amounts is 40% and consist of the CCTV camera project at the Main Building and the Upgrading of the Main Building that did not materialise.

51.13 Capital expenditure: Sport and recreation

Changes from the approved budget to the final budget: The budget was increased by R10,989,769 from R8,570,175 to R19,559,944 to account for donated assets that were brought into the asset register.

The difference between the final adjustments budget and the actual amounts is less than 10%.

51.14 Capital expenditure: Public safety

The difference between the final adjustments budget and the actual amounts is 34% and consist of a CCTV camera project where the tender for the project was awarded in June 2014 and the contractor appointed in July 2014.

Notes to the Financial Statements

Figures in Rand	2014	2013
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51. Budget differences (continued)

51.15 Capital expenditure: Housing

Changes from the approved budget to the final budget: The budget was decreased by R4,572,930 from R7,743,000 to R3,170,070 because the project for the upgrading of informal areas was shifted to the operating budget and the provision of projects funded from bridging finance of the Housing Development Fund.

The difference between the final adjustments budget and the actual amounts is 21% and consist of savings on the Rosedale Provision of serviced erven project.

51.16 Capital expenditure: Road transport

Changes from the approved budget to the final budget: The budget was increased by R107,478,555 from R124,729,605 to R232,208,160 to account for the additional allocation received from National Treasury for the George Integrated Public Transport Network.

The difference between the final adjustments budget and the actual amounts is less than 10%.

51.17 Capital expenditure: Electricity

Changes from the approved budget to the final budget: The budget was increased by R4,751,842 from R18,563,158 to R23,315,00 to account for an unspent loan that was brought into the budget.

The difference between the final adjustments budget and the actual amounts is 14% and consist of equipment in transit on year end and delivered in August 2014. The budget was subsequently rolled over.

51.18 Capital expenditure: Water

Changes from the approved budget to the final budget: The budget was decreased by R9,277,630 from R20,452,624 to R11,174,994 since the raising of the Garden Route dam project was shifted to the 2015 financial year.

The difference between the final adjustments budget and the actual amounts is less than 10%.

51.19 Capital expenditure: Waste water management

Changes from the approved budget to the final budget: The budget was increased by R9,588,809 from R46,280,397 to R55,869,206 to account for additional grant allocations that were gazetted.

The difference between the final adjustments budget and the actual amounts is 13% and consist of the Tembalethu Bulk Sewer project that started late and the Outeniqua Plant project that was not completed.

51.20 Capital expenditure: Waste management

Changes from the approved budget to the final budget: The budget was decreased by R4,600,000 from R8,570,000 to R3,970,000 on the acquisition of vehicles.

The difference between the final adjustments budget and the actual amounts is less than 10%.

51.21 Capital expenditure: Other

Changes from the approved budget to the final budget: The budget was increased by R3,157,450 to account for donated assets (Tourism buildings) that were capitalised as assets.

GEORGE LOCAL MUNICIPALITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
Notes to the Financial Statements

52. Property, plant and equipment - detailed analysis

	Cost									Work in progress						Accumulated depreciation									
Type	B/Fwd.Cost	Prior Year Error	Heritage asset restatement	B/Fwd.Cost	Additions	Completed Constructions	Transfer from Inventory	Disposals	C/Fwd.Cost	B/Fwd.WIP	Prior Year Error	Restated B/Fwd	Additions	Completed Constructions	C/Fwd.WIP	B/Fwd.Deprec.	Prior Year Error	Restated B/Fwd	Transfer from Inventory	Additions	Disposals	C/Fwd.Deprec.	Carrying Value		
INFRASTRUCTURE																									
Access control	576,716			576,716	259,486	-	-	-	836,202	-		-	-	-	-	-357,548		-357,548	-	-62,331	-	-419,879	416,323		
Bridges, subways & culverts	17,314,063			17,314,063	191,824	-	-	-	17,505,886	-		-	-	-	-	-3,174,594		-3,174,594	-	-829,788	-	-4,004,382	13,501,505		
Bus terminals	4,588,819			4,588,819	-	-	-	-	4,588,819	-		-	-	-	-	-973,582		-973,582	-	-133,789	-	-1,107,371	3,481,448		
Car parks	3,477,980			3,477,980	-	-	-	-	3,477,980	-		-	-	-	-	-1,142,210		-1,142,210	-	-154,580	-	-1,296,789	2,181,190		
Fencing	14,127,161			14,127,161	632,913	-	-	-	14,760,074	-		-	-	-	-	-8,485,717		-8,485,717	-	-1,602,276	-	-10,087,993	4,672,081		
Footways	9,338,490			9,338,490	-	-	-	-	9,338,490	-		-	-	-	-	-1,740,109		-1,740,109	-	-509,136	-	-2,249,246	7,089,244		
Kerbing	699,219			699,219	81,041	-	-	-	780,260	-		-	-	-	-	-70,052		-70,052	-	-34,970	-	-105,022	675,239		
Load control equipment	12,130,183			12,130,183	-	-	-	-	12,130,183	-		-	-	-	-	-2,133,071		-2,133,071	-	-491,932	-	-2,625,003	9,505,180		
Mains	6,605,422			6,605,422	-	-	-	-	6,605,422	-		-	-	-	-	-2,101,918		-2,101,918	-	-345,196	-	-2,447,114	4,158,308		
Mains	12,169,295			12,169,295	-	-	-	-	12,169,295	-		-	-	-	-	-2,836,586		-2,836,586	-	-517,943	-	-3,354,529	8,814,766		
Meters	361,018			361,018	-	-	-	-	361,018	-		-	-	-	-	-82,015		-82,015	-	-18,001	-	-100,016	261,002		
Meters	6,658,315			6,658,315	325,831	-	-	-	6,984,146	-		-	-	-	-	-2,592,609		-2,592,609	-	-440,194	-	-3,032,803	3,951,343		
Motorways	308,314			308,314	-	-	-	-	308,314	-		-	-	-	-	-123,945		-123,945	-	-20,554	-	-144,499	163,815		
Outfall sewers	514,058			514,058	213,804	-	-	-	727,862	-		-	-	-	-	-135,424		-135,424	-	-25,703	-	-161,127	566,735		
Paving	23,291,359			23,291,359	290,088	-	-	-	23,581,447	-		-	-	-	-	-4,929,532		-4,929,532	-	-1,167,436	-	-6,096,968	17,484,479		
Pipelines	73,141,367			73,141,367	-	-	-	-	73,141,367	-		-	-	-	-	-8,127,294		-8,127,294	-	-3,656,278	-	-11,783,571	61,357,795		
Power stations	527,809			527,809	-	-	-	-	527,809	-		-	-	-	-	-497,306		-497,306	-	-5,461	-	-502,767	25,042		
Pump stations	94,693,141			94,693,141	-	-	-	-	94,693,141	-		-	-	-	-	-18,267,409		-18,267,409	-	-4,632,219	-	-22,899,628	71,793,513		
Purification works	51,317,319			51,317,319	3,584,163	-	-	-	54,901,482	-		-	-	-	-	-4,105,094		-4,105,094	-	-2,197,276	-	-6,302,371	48,999,111		
Other roads	396,578,599			396,578,599	88,318,177	-	-	-83,534	484,813,241	-		-	-	-	-	-181,530,400		-181,530,400	-	-32,457,235	51,486	-213,936,149	270,877,092		
Security systems	5,405,003			5,405,003	426,472	-	-	-	5,831,475	-		-	-	-	-	-1,713,983		-1,713,983	-	-751,735	-	-2,465,718	3,365,757		
Sewers	205,225,152			205,225,152	13,132,852	-	-	-	218,358,004	-		-	-	-	-	-60,535,943		-60,535,943	-	-9,643,741	-	-70,179,684	148,178,320		
Sludge machines	3,427,381			3,427,381	-	-	-	-	3,427,381	-		-	-	-	-	-2,012,286		-2,012,286	-	-118,013	-	-2,130,299	1,297,082		
Sewerage pumps	15,629,148			15,629,148	1,179,202	-	-	-	16,808,350	-		-	-	-	-	-4,709,419		-4,709,419	-	-899,784	-	-5,609,204	11,199,146		
Street lighting	24,860,478			24,860,478	876,439	-	-	-	25,736,917	-		-	-	-	-	-7,469,414		-7,469,414	-	-1,008,492	-	-8,477,907	17,259,010		
Supply/reticulation - Electricity	183,076,413			183,076,413	13,653,278	-	-	-	196,729,691	-		-	-	-	-	-63,173,977		-63,173,977	-	-8,018,983	-	-71,192,959	125,536,732		
Supply/reticulation - Gas	14,256,100			14,256,100	25,595,806	-	-	-	39,851,906	-		-	-	-	-	-621,348		-621,348	-	-121,996	-	-743,344	39,108,562		
Supply/reticulation - Water	261,072,457			261,072,457	8,105,014	2,096,513	-	-	271,273,983	2,340,817		2,340,817	-	-2,096,513	244,304	-74,914,994		-74,914,994	-	-12,447,759	-	-87,362,753	184,155,534		
Stormwater drains	92,664,160			92,664,160	1,187,734	-	-	-	93,851,895	-		-	-	-	-	-22,437,326		-22,437,326	-	-5,683,625	-	-28,120,951	65,730,944		
Switchgear equipment	20,761,663			20,761,663	3,495,761	-	-	-	24,257,425	-		-	-	-	-	-6,281,263		-6,281,263	-	-910,664	-	-7,191,926	17,065,498		
Reservoirs & tanks	22,884,311			22,884,311	97,756	-	-	-	22,982,067	-		-	-	-	-	-8,879,501		-8,879,501	-	-943,604	-	-9,823,105	13,158,962		
Taxiways	-			-	-	-	-	-	-	-		-	-	-	-	-		-	-	-	-	-	-		
Transformer kiosks	109,026,008			109,026,008	2,656,967	-	-	-	111,682,976	-		-	-	-	-	-16,848,217		-16,848,217	-	-3,272,819	-	-20,121,036	91,561,940		
Traffic islands	207,218			207,218	-	-	-	-	207,218	-		-	-	-	-	-9,873		-9,873	-	-20,055	-	-29,928	177,290		
Traffic lights	12,952,338			12,952,338	-	-	-	-	12,952,338	-		-	-	-	-	-4,012,150		-4,012,150	-	-683,962	-	-4,696,112	8,256,226		
Street names & traffic signs	860,794			860,794	-	-	-	-	860,794	-		-	-	-	-	-349,659		-349,659	-	-50,279	-	-399,938	460,857		
	1,700,727,269	-	-	1,700,727,269	164,304,609	2,096,513	-	-83,534	1,867,044,857	2,340,817	-	2,340,817	-	-2,096,513	244,304	-517,375,769	-	-517,375,769	-	-93,877,807	51,486	-611,202,090	1,256,087,072		
COMMUNITY																									

GEORGE LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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52. Property, plant and equipment - detailed analysis

2014	Cost									Work In progress						Accumulated depreciation								
Type	B/Fwd.Cost	Prior Year Error	Heritage asset restatement	B/Fwd.Cost	Additions	Completed Constructions	Transfer from Inventory	Disposals	C/Fwd.Cost	B/Fwd.WIP	Prior Year Error	Restated B/Fwd	Additions	Completed Constructions	C/Fwd.WIP	B/Fwd.Deprec.	Prior Year Error	Restated B/Fwd	Transfer from Inventory	Additions	Disposals	C/Fwd.Deprec.	Carrying Value	
Electrical equipment	5,283,848			5,283,848	1,753,432	-	-	-	7,037,280	-	-	-	-	-	-	-717,120		-717,120	-	-706,289	-	-1,423,408	5,613,872	
laboratory equipment	707,805			707,805	398,189	-	-	-	1,105,994	-	-	-	-	-	-	-3,283,466		-3,283,466	-	-136,381	-	-3,419,846	-2,313,852	
Radio equipment	2,204,733			2,204,733	1,259,903	-	-	-6,500	3,458,136	-	-	-	-	-	-	-83,435		-83,435	-	-156,210	5,528	-234,117	3,224,019	
Telecommunication equipment	2,040,554			2,040,554	2,550	-	-	-	2,043,104	-	-	-	-	-	-	-1,585,034		-1,585,034	-	-135,610	-	-1,720,644	322,460	
Fire equipment	1,277,074			1,277,074	-	-	-	-3,700	1,273,374	-	-	-	-	-	-	-1,498,621		-1,498,621	-	-74,084	1,508	-1,571,198	-297,824	
Firearms	175,435			175,435	131,520	-	-	-	306,955	-	-	-	-	-	-	-455,430		-455,430	-	-35,159	-	-490,589	-183,634	
Generator	2,362,283			2,362,283	-	-	-	-	2,362,283	-	-	-	-	-	-	-96		-96	-	-283,915	-	-284,011	2,078,272	
General plant	14,039,683			14,039,683	2,083,450	-	-	-	16,123,132	-	-	-	-	-	-	-1,392,202		-1,392,202	-	-940,286	-	-2,332,488	13,790,644	
Household refuse bins	1,096			1,096	-	-	-	-	1,096	-	-	-	-	-	-	-6,742,465		-6,742,465	-	-219	-	-6,742,684	-6,741,587	
Fire hoses	233,192			233,192	-	-	-	-	233,192	-	-	-	-	-	-	-3		-3	-	-26,629	-	-26,632	206,560	
Hoist - refuse bins	704,293			704,293	-	-	-	-	704,293	-	-	-	-	-	-	-131,053		-131,053	-	-59,294	-	-190,294	513,998	
Irrigation systems	75,117			75,117	-	-	-	-	75,117	-	-	-	-	-	-	-272,450		-272,450	-	-5,008	-	-277,458	-202,341	
Lathes	55,042			55,042	-	-	-	-	55,042	-	-	-	-	-	-	-20,724		-20,724	-	-1,446	-	-22,170	32,872	
Emergency light	2,171			2,171	7,475	-	-	-	9,646	-	-	-	-	-	-	-37,714		-37,714	-	-106	-	-37,820	-28,174	
Loader - drill	771,676			771,676	-	-	-	-	771,676	-	-	-	-	-	-	-1,770		-1,770	-	-36,832	-	-38,602	733,074	
Loader - front-end	3,196,858			3,196,858	753,424	-	-	-	3,950,282	-	-	-	-	-	-	-531,511		-531,511	-	-72,903	-	-604,415	3,345,868	
Miscellaneous furniture	2,429,737			2,429,737	164,842	-	-	-	2,594,580	-	-	-	-	-	-	-2,697,638		-2,697,638	-	-303,622	-	-3,001,260	-406,680	
Mixer - concrete	7,318			7,318	-	-	-	-	7,318	-	-	-	-	-	-	-1,296,404		-1,296,404	-	-878	-	-1,297,283	-1,289,964	
Office machines	1,503,636			1,503,636	102,100	-	-	-1,662	1,604,074	-	-	-	-	-	-	-4,686		-4,686	-	-121,946	306	-126,326	1,477,748	
PLANT & EQUIPMENT	102,234			102,234	10,826	-	-	-	113,061	-	-	-	-	-	-	-1,081,830		-1,081,830	-	-10,229	-	-1,092,059	-978,998	
Pumps	456,990			456,990	329,261	-	-	-	786,251	-	-	-	-	-	-	-10,284		-10,284	-	-42,267	-	-52,552	733,699	
roller - pavement	199,600			199,600	-	-	-	-	199,600	-	-	-	-	-	-	-144,961		-144,961	-	-39,920	-	-184,880	14,720	
Roller - water/ballast	78,320			78,320	-	-	-	-	78,320	-	-	-	-	-	-	-80,058		-80,058	-	-3,130	-	-83,188	-4,868	
Tables/desks	1,329,083			1,329,083	107,488	-	-	-	1,436,571	-	-	-	-	-	-	-68,937		-68,937	-	-148,031	-	-216,968	1,219,603	
Tipplers	2,414,204			2,414,204	-	-	-	-	2,414,204	-	-	-	-	-	-	-746,713		-746,713	-	-114,016	-	-860,730	1,553,474	
Tools	62,424			62,424	4,622	-	-	-	67,047	-	-	-	-	-	-	-804,142		-804,142	-	-4,745	-	-808,887	-741,841	
Trailers	811,660			811,660	681,968	-	-	-	1,493,629	-	-	-	-	-	-	-44,118		-44,118	-	-70,501	-	-114,619	1,379,010	
Vehicles	10,190,429			10,190,429	1,268,812	-	-	-	11,459,241	-	-	-	-	-	-	-499,374		-499,374	-	-1,068,190	-	-1,068,190	10,391,051	
Buses	-			-	-	-	-	-	-	-	-	-	-	-	-	-5,729,099		-5,729,099	-	-	-	-5,729,099	-5,729,099	
Watercraft/boats	201,160			201,160	-	-	-	-	201,160	-	-	-	-	-	-	-56,158		-56,158	-	-11,351	-	-67,510	133,650	
Compressors	185,551			185,551	-	-	-	-	185,551	-	-	-	-	-	-	-155,937		-155,937	-	-6,679	-	-162,616	22,934	
Compactor truck - refuse	2,394,661			2,394,661	2,730,940	-	-	-	5,125,601	-	-	-	-	-	-	-1,650,407		-1,650,407	-	-171,261	-	-1,821,668	3,303,933	
Motor cycles	558,215			558,215	-	-	-	-	558,215	-	-	-	-	-	-	-215,213		-215,213	-	-52,333	-	-267,545	290,669	
Fire engines	2,476,505			2,476,505	1,352,518	-	-	-	3,829,023	-	-	-	-	-	-	-760,463		-760,463	-	-110,231	-	-870,694	2,958,329	
Farm equipment	6,187			6,187	-	-	-	-	6,187	-	-	-	-	-	-	-5,446		-5,446	-	-247	-	-5,693	494	
Graders	2,067,294			2,067,294	-	-	-	-	2,067,294	-	-	-	-	-	-	-808,528		-808,528	-	-139,807	-	-948,335	1,118,959	
Lawnmowers	85,444			85,444	19,620	-	-	-3,695	101,368	-	-	-	-	-	-	-78,307		-78,307	-	-3,106	3,637	-77,776	23,592	
Roller - mechanically driven	1,155,779			1,155,779	-	-	-	-	1,155,779	-	-	-	-	-	-	-744,498		-744,498	-	-52,928	-	-797,426	358,353	
Pound vehicles	21,748			21,748	-	-	-	-	21,748	-	-	-	-	-	-	-18,411		-18,411	-	-1,673	-	-20,084	1,664	
Road maintenance equipment	264,534			264,534	-	-	-	-	264,534	-	-	-	-	-	-	-247,983		-247,983	-	-6,760	-	-254,744	9,791	
Trucks/bakkies	24,653,722			24,653,722	4,071,829	-	-	-	28,725,552	-	-	-	-	-	-	-13,778,711		-13,778,711	-	-827,079	-	-14,605,790	14,119,762	
Tractors	456,350			456,350	-	-	-	-	456,350	-	-	-	-	-	-	-124,350		-124,350	-	-24,154	-	-148,504	307,846	
Welder	-			-	8,895	-	-	-	8,895	-	-	-	-	-	-	-		-	-	-5	-	-5	8,890	
	101,314,592	-	-	101,314,592	19,479,271	-	-	-201,202	120,592,661	-	-	-	-	-	-	-56,534,779	-	-56,534,779	-	-7,028,695	159,881	-63,403,594	57,189,068	
LAND AND BUILDINGS																								
Buildings	1,461,879			1,461,879	-	-	-	-	1,461,879	-	-	-	-	-	-	-253,358		-253,358	-	-69,718	-	-323,0767		

GEORGE LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Notes to the Financial Statements

52. Property, plant and equipment - detailed analysis

2013	Cost								Work in progress				Accumulated depreciation							
Type	B/Fwd.Cost	Prior Year Error	B/Fwd.Cost	Additions	Completed Constructions	Transfer to investment property	Disposals	C/Fwd.Cost	B/Fwd.WIP	Additions	Completed Constructions	C/Fwd.WIP	B/Fwd.Deprec.	Prior Year Error	Restated B/Fwd	Transfer to investment property	Additions	Disposals	C/Fwd.Deprec.	Carrying Value
INFRASTRUCTURE																				
Access control	547,816		547,816	28,900	-	-	-	576,716	-	-	-	-	-295,560		-295,560	-	-61,988	-	-357,548	219,168
Bridges, subways & culverts	17,314,063		17,314,063	-	-	-	-	17,314,063	-	-	-	-	-2,344,878	16	-2,344,862	-	-829,732	-	-3,174,594	14,139,469
Bus terminals	5,079,882		5,079,882	-491,063	-	-	-	4,588,819	-	-	-	-	-839,793		-839,793	-	-133,789	-	-973,582	3,615,237
Car parks	3,477,980		3,477,980	-	-	-	-	3,477,980	-	-	-	-	-961,632		-961,632	-	-180,578	-	-1,142,210	2,335,770
Fencing	12,605,491		12,605,491	-18,310,873	19,832,543	-	-	14,127,161	-	3,343,611	-3,343,611	-	-6,706,228	9,474	-6,696,755	-	-1,788,962	-	-8,485,717	5,641,444
Footways	8,021,058		8,021,058	1,317,432	-	-	-	9,338,490	-	-	-	-	-1,279,070		-1,279,070	-	-461,040	-	-1,740,109	7,598,381
Kerbing	699,219		699,219	-	-	-	-	699,219	-	-	-	-	-35,093		-35,093	-	-34,959	-	-70,052	629,167
Load control equipment	11,956,791		11,956,791	173,392	-	-	-	12,130,183	-	-	-	-	-1,649,785		-1,649,785	-	-483,286	-	-2,133,071	9,997,112
Mains	6,605,422		6,605,422	-	-	-	-	6,605,422	-	-	-	-	-1,756,723		-1,756,723	-	-345,196	-	-2,101,918	4,503,504
Mains	12,057,084		12,057,084	112,212	-	-	-	12,169,295	-	-	-	-	-2,324,239		-2,324,239	-	-512,348	-	-2,836,586	9,332,709
Meters	361,018		361,018	-	-	-	-	361,018	-	-	-	-	-64,015		-64,015	-	-18,001	-	-279,003	279,003
Meters	5,890,474		5,890,474	767,841	-	-	-	6,658,315	-	-	-	-	-2,199,971		-2,199,971	-	-392,639	-	-2,592,609	4,065,706
Motorways	308,314		308,314	-	-	-	-	308,314	-	-	-	-	-103,391		-103,391	-	-20,554	-	-123,945	184,369
Outfall sewers	514,058		514,058	-	-	-	-	514,058	-	-	-	-	-109,722		-109,722	-	-25,703	-	-135,424	378,633
Paving	23,032,237		23,032,237	259,122	-	-	-	23,291,359	-	-	-	-	-3,776,578		-3,776,578	-	-1,152,954	-	-4,929,532	18,361,827
Pipelines	72,562,136		72,562,136	579,231	-	-	-	73,141,367	-	-	-	-	-5,110,830		-5,110,830	-	-3,016,463	-	-8,127,294	65,014,073
Power stations	527,809		527,809	-	-	-	-	527,809	-	-	-	-	-479,713		-479,713	-	-17,593	-	-497,306	30,502
Pump stations	94,693,141		94,693,141	-	-	-	-	94,693,141	-	-	-	-	-13,635,190		-13,635,190	-	-4,632,219	-	-18,267,409	76,425,732
Purification works	28,895,355		28,895,355	22,421,963	-	-	-	51,317,319	-	-	-	-	-3,025,831		-3,025,831	-	-1,079,264	-	-4,105,094	47,212,224
Other roads	371,839,631		371,839,631	24,738,967	-	-	-	396,578,599	-	-	-	-	-150,020,479	-46,208	-150,066,687	-	-31,463,713	-	-181,530,400	215,048,198
Security systems	2,443,065		2,443,065	2,961,937	-	-	-	5,405,003	-	-	-	-	-1,549,933		-1,549,933	-	-164,050	-	-1,713,983	3,691,020
Sewers	186,775,388		186,775,388	18,449,764	-	-	-	205,225,152	16,488,932	-	-16,488,932	-	-51,513,396	-112,681	-51,626,077	-	-8,909,866	-	-60,535,943	144,689,209
Sludge machines	3,427,381		3,427,381	-	-	-	-	3,427,381	-	-	-	-	-1,894,274		-1,894,274	-	-118,013	-	-2,012,286	1,415,095
Sewerage pumps	19,494,699		19,494,699	-3,865,551	-	-	-	15,629,148	-	-	-	-	-3,961,349		-3,961,349	-	-748,070	-	-4,709,419	10,919,729
Street lighting	24,709,853		24,709,853	150,624	-	-	-	24,860,478	-	-	-	-	-6,481,640		-6,481,640	-	-987,774	-	-7,469,414	17,391,063
Supply/reticulation - Electricity	195,795,138	-16,993,064	178,802,074	4,274,339	-	-	-	183,076,413	-	-	-	-	-56,527,770	-	-56,527,770	-	-6,646,207	-	-63,173,977	119,902,436
Supply/reticulation - Gas	3,685,467		3,685,467	10,570,633	-	-	-	14,256,100	-	-	-	-	-499,352		-499,352	-	-121,996	-	-621,348	13,634,752
Supply/reticulation - Water	233,409,994		233,409,994	27,662,463	-	-	-	261,072,457	2,340,817	-	-	2,340,817	-62,598,644	-652,670	-63,251,314	-	-11,663,680	-	-74,914,994	188,498,280
Stormwater drains	90,951,822		90,951,822	1,712,338	-	-	-	92,664,160	-	-	-	-	-16,789,874		-16,789,874	-	-5,647,452	-	-22,437,326	70,226,834
Switchgear equipment	18,390,416		18,390,416	2,371,247	-	-	-	20,761,663	-	-	-	-	-5,423,592		-5,423,592	-	-857,671	-	-6,281,263	14,480,400
Reservoirs & tanks	22,803,567		22,803,567	80,744	-	-	-	22,884,311	-	-	-	-	-7,937,238		-7,937,238	-	-942,263	-	-8,879,501	14,004,810
Taxiways	-		-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-
Transformer kiosks	104,381,617		104,381,617	4,644,392	-	-	-	109,026,008	-	-	-	-	-13,575,468	34	-13,575,435	-	-3,272,782	-	-16,848,217	92,177,791
Traffic islands	11,434		11,434	195,784	-	-	-	207,218	-	-	-	-	-7,627		-7,627	-	-9,873	-	-197,345	197,345
Traffic lights	12,952,338		12,952,338	-	-	-	-	12,952,338	-	-	-	-	-3,329,157		-3,329,157	-	-682,993	-	-4,012,150	8,940,188
Street names & traffic signs	860,794		860,794	-	-	-	-	860,794	-	-	-	-	-299,380		-299,380	-	-50,279	-	-349,659	511,136
	1,597,081,953	-16,993,064	1,580,088,889	100,805,837	19,832,543	-	-	1,700,727,269	18,829,749	3,343,611	-19,832,543	2,340,817	-429,107,413	-802,035	-429,909,448	-	-87,466,321	-	-517,375,769	1,185,692,318
COMMUNITY																				
Beach developments	2,676,711		2,676,711	-	-	-	-	2,676,711	-	-	-	-	-681,558		-681,558	-	-89,223	-	-770,780	1,905,931
Bowling greens	106,488		106,488	-	-	-	-	106,488	-	-	-	-	-60,885		-60,885	-	-2,535	-	-63,420	43,068
Care centres	9,102,217		9,102,217	-	-	-	-	9,102,217	-	-	-	-	-1,133,775		-1,133,775	-	-302,953	-	-1,436,727	7,665,490
Cemeteries	67,861		67,861	-	-	-	-	67,861	-	-	-	-	-27,106		-27,106	-	-2,262	-	-29,368	38,493
Community centres																				

GEORGE LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Notes to the Financial Statements

52. Property, plant and equipment - detailed analysis

2013	Cost								Work in progress				Accumulated depreciation							
Type	B/Fwd.Cost	Prior Year Error	B/Fwd.Cost	Additions	Completed Constructions	Transfer to investment property	Disposals	C/Fwd.Cost	B/Fwd.WIP	Additions	Completed Constructions	C/Fwd.WIP	B/Fwd.Deprec.	Prior Year Error	Restated B/Fwd	Transfer to investment property	Additions	Disposals	C/Fwd.Deprec.	Carrying Value
Firearms	-		-	175,435	-	-	-	175,435	-	-	-	-	-		-	-	-96	-	-96	175,339
Generator	1,797,096		1,797,096	565,187	-	-	-	2,362,283	-	-	-	-	-1,199,346		-1,199,346	-	-192,856	-	-1,392,202	970,081
General plant	13,980,046		13,980,046	119,502	-	-	-59,866	14,039,683	-	-	-	-	-6,056,209	201,457	-5,854,751	-	-936,915	49,201	-6,742,465	7,297,218
Household refuse bins	-		-	1,096	-	-	-	1,096	-	-	-	-	-		-	-	-3	-	-3	1,093
Fire hoses	157,192		157,192	76,000	-	-	-	233,192	-	-	-	-	-118,634		-118,634	-	-12,419	-	-131,053	102,139
Hoist - refuse bins	704,293		704,293	-	-	-	-	704,293	-	-	-	-	-191,271		-191,271	-	-81,179	-	-272,450	431,842
Irrigation systems	75,117		75,117	-	-	-	-	75,117	-	-	-	-	-15,717		-15,717	-	-5,008	-	-20,724	54,392
Lathes	55,042		55,042	-	-	-	-	55,042	-	-	-	-	-36,268		-36,268	-	-1,446	-	-37,714	17,328
Emergency light	2,171		2,171	-	-	-	-	2,171	-	-	-	-	-1,336		-1,336	-	-434	-	-1,770	401
Loader - drill	771,676		771,676	-	-	-	-	771,676	-	-	-	-	-494,679		-494,679	-	-36,832	-	-531,511	240,165
Loader - front-end	3,196,858		3,196,858	-	-	-	-	3,196,858	-	-	-	-	-2,314,904		-2,314,904	-	-382,733	-	-2,697,638	499,221
Miscellaneous furniture	2,238,062		2,238,062	200,325	-	-	-8,650	2,429,737	-	-	-	-	-1,015,622		-1,015,622	-	-286,718	5,936	-1,296,404	1,133,333
Mixer - concrete	7,318		7,318	-	-	-	-	7,318	-	-	-	-	-3,808		-3,808	-	-878	-	-4,686	2,632
Office machines	1,464,605		1,464,605	184,047	-	-	-145,016	1,503,636	-	-	-	-	-1,142,447	11,722	-1,130,726	-	-95,358	144,254	-1,081,830	421,806
PLANT & EQUIPMENT	101,037		101,037	1,197	-	-	-	102,234	-	-	-	-	-139		-139	-	-10,146	-	-10,284	91,950
Pumps	456,990		456,990	-	-	-	-	456,990	-	-	-	-	-122,117	19,424	-102,693	-	-42,267	-	-144,961	312,029
roller - pavement	199,600		199,600	-	-	-	-	199,600	-	-	-	-	-40,138		-40,138	-	-39,920	-	-80,058	119,542
Roller - water/ballast	78,320		78,320	-	-	-	-	78,320	-	-	-	-	-65,807		-65,807	-	-3,130	-	-68,937	9,383
Tables/desks	1,330,291		1,330,291	25,119	-	-	-26,327	1,329,083	-	-	-	-	-612,925		-612,925	-	-148,731	14,942	-746,713	582,369
Tipper	2,414,204		2,414,204	-	-	-	-	2,414,204	-	-	-	-	-681,833		-681,833	-	-122,310	-	-804,142	1,610,061
Tools	62,424		62,424	-	-	-	-	62,424	-	-	-	-	-39,388		-39,388	-	-4,730	-	-44,118	18,306
Trailers	811,660		811,660	-	-	-	-	811,660	-	-	-	-	-419,774		-419,774	-	-79,600	-	-499,374	312,286
Vehicles	10,228,429		10,228,429	-	-	-	-38,000	10,190,429	-	-	-	-	-6,048,255	1,076,993	-4,971,263	-	-792,986	35,150	-5,729,099	4,461,330
Watercraft/boats	201,160		201,160	-	-	-	-	201,160	-	-	-	-	-44,807		-44,807	-	-11,351	-	-56,158	145,001
Compressors	185,551		185,551	-	-	-	-	185,551	-	-	-	-	-149,264		-149,264	-	-6,673	-	-155,937	29,614
Compactor truck - refuse	2,394,661		2,394,661	-	-	-	-	2,394,661	-	-	-	-	-1,479,957		-1,479,957	-	-170,449	-	-1,650,407	744,254
Motor cycles	558,215		558,215	-	-	-	-	558,215	-	-	-	-	-337,528	174,648	-162,880	-	-52,333	-	-215,213	343,002
Fire engines	2,476,505		2,476,505	-	-	-	-	2,476,505	-	-	-	-	-650,352		-650,352	-	-110,111	-	-760,463	1,716,043
Farm equipment	6,187		6,187	-	-	-	-	6,187	-	-	-	-	-5,199		-5,199	-	-247	-	-5,446	741
Graders	2,067,294		2,067,294	-	-	-	-	2,067,294	-	-	-	-	-914,205	245,484	-668,721	-	-139,807	-	-808,528	1,258,766
Lawnmowers	104,915		104,915	-	-	-	-19,472	85,444	-	-	-	-	-100,800	1,241	-99,559	-	1,780	19,472	-78,307	7,136
Roller - mechanically driven	1,155,779		1,155,779	-	-	-	-	1,155,779	-	-	-	-	-799,652	205,107	-594,546	-	-149,953	-	-744,498	411,281
Pound vehicles	21,748		21,748	-	-	-	-	21,748	-	-	-	-	-16,739		-16,739	-	-1,673	-	-18,411	3,337
Road maintenance equipment	264,534		264,534	-	-	-	-	264,534	-	-	-	-	-241,241		-241,241	-	-6,742	-	-247,983	16,551
Trucks/bakkies	24,044,125		24,044,125	815,207	-	-	-205,610	24,653,722	-	-	-	-	-14,747,183	2,555,876	-12,191,307	-	-1,777,594	190,189	-13,778,711	10,875,011
Tractors	621,350		621,350	-	-	-	-165,000	456,350	-	-	-	-	-322,385	64,505	-257,880	-	-24,634	158,164	-124,350	332,000
	99,038,411	-	99,038,411	5,108,658	-	-	-2,832,477	101,314,592	-	-	-	-	-55,247,198	4,556,456	-50,690,742	-	-8,566,564	2,722,526	-56,534,779	44,779,813
LAND AND BUILDINGS																				
Buildings	1,363,379		1,363,379	98,500	-	-	-	1,461,879	-	-	-	-	-186,761		-186,761	-	-66,597	-	-253,358	1,208,522
BUSINESS	9,697,000		9,697,000	-	-	-	-	9,697,000	-	-	-	-	-		-	-	-	-	-	9,697,000
BUSINESS INDUSTRIAL	65,550		65,550	-	-	-	-	65,550	-	-	-	-	-		-	-	-	-	-	65,550
CARAVANS PARKS	893,940		893,940	-	-	-	-	893,940	-	-	-	-	-148,240		-148,240	-	-29,798	-	-178,038	715,902
CEMETERIES	5,678,500		5,678,500	-	-	-	-	5,678,500	-	-	-	-	-		-	-	-	-	-	5,678,500
CHURCHES	85,000		85,000	-	-	-	-	85,000	-	-	-	-	-		-	-	-	-	-	85,000
COMMAGE	9,950,000		9,950,000	-	-	-	-	9,950,000	-	-	-	-	-		-	-	-	-	-	9,950,000
CRECHE	479,750		479,750	-	-	-	-	479,750	-	-	-	-	-		-	-	-	-	-	479,750
GENERAL RESIDENTIAL	3,785,000		3,785,000	-	-	-	-	3,785,000	-	-	-	-	-		-	-	-	-	-	3,785,000
GOVERNMENT	50,000		50,000	-	-	-	-	50,000	-	-	-	-	-		-	-	-	-	-	50,000
Hostels	170,349		170,349	-	-	-	-	170,349	-	-	-	-	-104,412		-104,412	-	-5,678	-	-110,091	60,258
INDUSTRIAL	14,798,800		14,798,800	-	-	-	-	14,798,800	-	-	-	-	-		-	-	-	-	-	14,798,800
INSTATUTIONS	1,953,850		1,953,850	-	-	-	-	1,953,850	-	-	-	-	-		-	-	-	-	-	1,953,850
MARKETS	51,965		51,965	-	-	-	-	51,965	-	-	-	-	-5,344		-5,344	-	-1,732	-	-7,076	44,889
Office Buildings	4,927,405		4,927,405	-	-	-	-	4,927,405	-	-	-	-	-1,235,689		-1,235,689	-	-164,245	-	-1,399,934	3,527,470
OPEN PLACE	8,000		8,000	-	-	-	-	8,000	-	-	-	-	-		-	-	-	-	-	8,000
Other land	610,373,351		610,373,351	-	-	-	-	610,373,351	-	-	-	-	-		-	-	-	-	-	610,373,351
PARKING	30,785,000		30,785,000	-	-	-	-	30,785,000	-	-	-	-	-		-	-	-	-	-	30,785,000
PUBLIC OPEN SPACE	161,587,150		161,587,150	-	-	-	-	161,587,150	-	-	-	-	-		-	-	-	-	-	161,587,150
PRIVATE OPEN SPACE	7,880,000		7,880,000	-	-	-	-	7,880,000	-	-	-	-	-		-	-	-	-	-	7,880,000
ROADS	1,250,000		1,250,000	-	-	-	-	1,250,000	-	-	-	-	-		-	-	-	-	-	1,250,000
SPECIAL HOUSING	26,670,000		26,670,000	-	-	-	-	26,670,000	-	-	-	-	-		-	-	-	-	-	26,670,000
SINGLE RESIDENTIAL	18,099,900		18,099,900	-	-	-	-	18,099,900	-	-	-	-	-		-	-	-	-	-	18,099,900
Tip Site George	1,132,771		1,132,771	-	-	-	-	1,132,771	-	-	-	-	-981,942		-981,942	-	-75,516	-	-1,057,458	75,313
Tip Sites	9,887,592		9,887,592	-	-	-	-	9,887,592	-	-	-	-	-2,057,638		-2,057,638	-	-321,481	-	-2,379,119	7,508,473
Town planning	8,964,797		8,964,797	-	-	-	-1,519,045	7,445,752	-	-	-	-	-6,975,283		-6,975,283	-	-656,618	1,317,031	-6,314,870	1,130,882
TRANSPORT FACILITIES	-		-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-
Vacantland	21,254,657		21,254,657	-	-	-	-	21,254,657	-	-	-	-	-155,616		-155,616	-	-31,072	-	-186,687	21,067,970
Workshop	985,492		985,492	-	-	-	-	985,492	-	-	-	-	-518,274		-518,274	-	-29,252	-	-547,527	437,966
	952,829,199	-	952,829,199	98,500	-	-	-1,519,045	951,408,653	-	-	-	-	-12,369,200	-	-12,369,200	-	-1,381,989	1,317,031	-12,434,158	938,974,496
TOTAL OF PROPERTY, PLANT AND EQUIPMENT	2,848,858,263	-16,993,064	2,831,865,200	108,787,217	19,832,543	-4,702,815	-4,351,522	2,951,430,623	19,072,620	4,952,200	-19,832,543	4,192,277	-544,175,408	3,724,418	-540,450,990	1,718,482	-105,445,379	4,039,557	-640,138,331	2,315,484,569